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Chilton's

AUTOMOTIVE MARKETING

The Marketing/Business Magazine For The Retail Aftermarket

NOVEMBER 1987

BUYERS & REPS:

A Good Relationship Brings Relief From Pressing Demands

Chemicals: Suppliers Add New Zest To Standard Products And Their Extensions

Security: Vehicle Theft Moves To Smaller Markets, Brings Retailers Ammunition

Market Line: Has A Chill Frozen The Spark Plug Market For Good? Do Parts Retailers Belong In Automalls?

Chilton's

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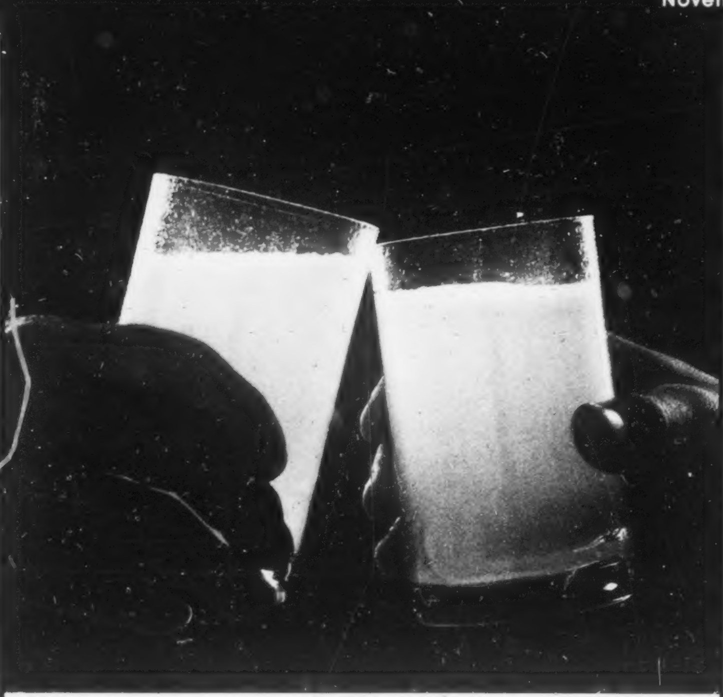

FEATURES

Buyers And Reps: A Good Relationship Brings Relief 27
Both buyers and reps have many frustrations. We know. We asked them. But it's not all negative. Here's what we found out.

Cash In On Chemical Sales 31
While everyone talks about how the weather will affect the sales of automotive chemicals, manufacturers are doing something to stimulate the market.

Security: A Hard Sell Does Good 39
Security is still a hard sell for some retailers. But the profits from doing a good job selling security products are worth the effort.

DEPARTMENTS

Detailing The Market 5
Editorial 13
The *Automotive Marketing* Index 14
Market Line 16
Products 42
Merchandising Page 44
Reader Service Card 45
Rep Guide 47
Ad Index 50

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PUBLISHER'S NOTES

A PLANNING BREAK

Even as we near 1988 and the peak of the next year's planning season, we're still excited by 1987, and the stories in this issue.

Chief Editor Rosemarie Kitchin writes of the buyer/rep relationship. Both benefit from working with each other.

Contributing Editor Ed Kaufman looks at the high activity level within the appearance chemical segment. It's safe to say that waxes aren't waning these days. He analyzes the maintenance chemicals and additives segment activity, too.

Senior Editor Gail Krueger-Nicholson writes that crime, specifically vehicle theft, has moved to smaller towns, bringing with it the opportunity for retailers to cash in with security products.

What's a series on commodities without the spark plug story? We've got it, in our Market Line section. Should auto parts retailers try to make themselves comfortable in automalls? Read our thoughts on this in Market Line, too.

Take a break from planning and enjoy our November issue. You'll find it helpful as you think about 1988. We guarantee it!

Let us hear from you! ■

Sarah Frankson.
Publisher

IN-STORE FOCUS

OTASCO
Headquarters: 11333 E. Pine,
Tulsa, OK 74116
(918) 437-7171
Stores: 558
(267 company owned)
Total Corp. Sales:
$308,000,000
Average Auto. SKUs: 4,000
Founded: 1918, as Oklahoma Tire and Supply Co.

OTASCO's chairman Jerry Goodman is very forthright about it. "Right now, we're taking a very hard look at the automotive market from the standpoint of do-it-yourself *and* the service portion. We're probably overall tilting toward the service portion because our basic philosophy is of taking cues from the marketplace," he said.

"The graying of America means that service will become more important," he said. "Not only do people become more intense service customers as they become older, they also have the discretionary funds to buy that service, a fact that many marketers ignore."

"That's not to say that we'll discount the do-it-yourself market. It's still a very important part of our business. I, and we, have enormous confidence in the young population's ability to master the new technology and work on cars. We have no intention of decreasing that emphasis."

How can this company do both – work to retain and grow its DIY business *and* concentrate on its service business? OTASCO, purchased in a leveraged buy-out (LBO) in 1984 by its employees, has done what most LBO companies do after the financial rush is over. It's taken a good look at why it's in business and formulated a growth plan.

"I have a firm belief that companies either grow or die. At this time, we're really very, very busy in terms of getting our operation reduced to a highly disciplined formula which we can cookie-cut. Once that's done, we'll be on the acquisition trail.

"We've always managed a certain level of growth. This will accelerate once we get through the transition period," Goodman said.

The transition period of which Goodman talks has been some hard times. OTASCO's marketing area is a 14 state region based from the depressed oil patch states. The region's secondary industry, agriculture, is hurting now, too.

Goodman notes that the depression may have spurred its automotive parts and service sales. "While I don't have concrete proof," he said, "I believe that the economy has improved sales of our automotive products, both service and DIY sales. I suspect the age of cars driven in this region has gone up, creating more aftermarket business. The vehicle age is only a surmise on my part, but it's no surmise that our automotive business has increased during the past years."

The depression, coming hard upon the heels of the employee buy-out, caused OTASCO to examine its expense structure, to weed out programs and people, and even stores, which no longer made sense. "It was extremely painful," according to Goodman, "but probably one of the healthiest processes our company has gone through."

Some of the results? There are now three distribution centers rather than four; 29 stores no longer bear the OTASCO signage; and sales are concentrated in product areas which have proven more than marginally profitable. Hardware, small appliances, and sporting goods are gone. Large appliances, bicycles, electronics, and leisure products remain.

OTASCO has a new logo, with new colors. It's working hard on perfecting its new store layout and format (to make that cookie cutter).

Automotive (both retail and service) is a crucial emphasis, generating about 30% of the company's sales. It may be getting more than 30% of its attention, however: automotive SKUs, now at 4,000, will push up near 6,000 as OTASCO hones its service/parts/merchandising program.

Goodman says, "For a while, we forgot our roots. Before the buy-out, OTASCO had gone through a period where our automotive business as a percentage of sales had declined. We began to reposition automotive as soon as the buy-out was complete. We're putting together carefully constructed packages of automotive service and parts and advertising communications."

OTASCO's current service package (bays in OTASCO stores number from 1 to 13) has a fairly limited menu. "It's basically brakes, shocks, exhaust, electrical, and oil changes, as well as our TBA installation."

PROFILE: DIYers WHO ENJOY AUTOMOTIVE DIY WORK A GREAT DEAL

Drawing from the 1987 *Automotive Marketing Consumer Automotive Repair Study*, we look at DIYers who say they enjoy doing automotive maintenance work themselves a great deal.

			Age					Income				Hours Per Month Spent On DIY			
Total	Male	Female	-25	25-34	35-44	45-54	55 +	-$20K	$20-30K	$30-40K	+ 40K	-1 Hrs	1-5 Hrs	6-10 Hrs	11 + Hrs
100.0%	83.6%	16.4.3%	21.6%	25.7%	22.8%	10.5%	19.4%	34.5%	27.5%	16.4%	21.6%	10.5%	53.2%	17.5%	18.8%

DETAIL

17%

of all Americans lived in a different home in 1986 than they did in 1985, according to the 1986 Current Population Study. Of that, half moved more than once during the year.

THE AUTOMOTIVE MARKETING INDEX

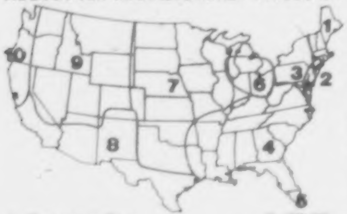
THE 1987 *AUTOMOTIVE MARKETING* MARKETBASKET

To determine the price movement, *Automotive Marketing* created a "marketbasket" of the best prices available for nine popular aftermarket products. We determine the best available price of each item in each marketing area each month to come up with an average marketbasket index.The products include a non-resistor spark plug; an oil filter; a can of 10W30 motor oil; a can of paste wax; an AM/FM/Cassette radio; a gas-charged shock absorber; a gallon of antifreeze; a pair of windshield wiper refills; and a 40-month-warranty battery. These products are usually on sale somewhere within each marketing area, which we define by their unique geographic, meteorological, and consumer characteristics.

AUGUST 1987 NATIONAL AVERAGE MARKETBASKET PRICES

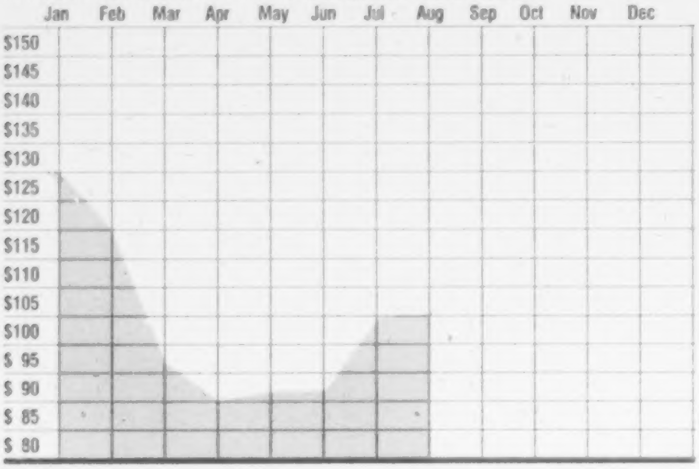
A non-resistor spark plug:	$ .75	A gas-charged shock:	$ 13.49
An oil filter:	1.95	One gallon of antifreeze:	3.68
A can of 10W30 oil:	.69	One pair of wiper refills:	2.84
A can of paste wax:	3.54	A 40-month battery:	26.68
An AM/FM/Cassette:	46.17	**Total:**	$ 97.35

AUGUST AM MARKETBASKET PRICES BY MARKETING AREA



3. Smokestack East:	$ 89.34
4. Old South:	95.95
5. Caribbean South:	103.54
6. Smokestack Central:	132.35
7. Grainbelt Central:	98.13
8. Spanish West:	83.78
1. Greenbelt East:	$ 97.35
9. Desert West:	112.01
2. Megapolis East:	92.67
10. Greenbelt West:	98.30

NATIONAL AVERAGE MONTHLY 1986-87 AFTERMARKET BASKET PRICES



AFTERMARKET BUSINESS INDICATORS

	Unit/Base	Mo/Qr	Current Period	Prior Period	Year Ago, Same Period	Low (61-87)	High (61-87)
Consumer Confidence	(85 = 100)	Apr	91.9	98.4	95.4	–	–
Prime Rate	%	Sept 8	8.75	8.25	8.00	–	–
Retail Sales	Billion $	July	127.57	126.62	119.3	–	–

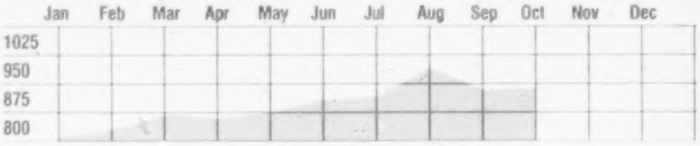
1987 AFTERMARKET STOCK PRICES

The figures below are the high and low prices offered and paid for various aftermarket-related common stocks in various exchanges for the 52 week period prior to October 7.

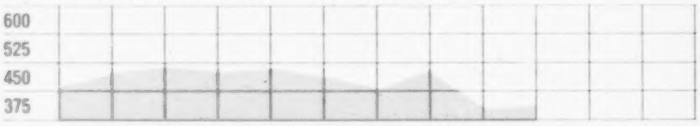
	Exchange	52-week High	52-week Low	10/7 Quote	P-E Ratio
Armor All	OTC	27 1/4	10 1/4	22	26
AutoSpa	OTC	6 1/2	1 1/2	4 1/16	362
Champ Parts	OTC	12 3/8	6 7/8	9 7/8	45
Champ Spk Plg	NYSE	16 3/8	9 5/8	14 1/8	471
Chief Auto	OTC	19 3/8	4 1/4	13 3/4	15
Crown Auto	OTC	4 3/8	3	4 1/8	–
Dana Corp.	NYSE	54 1/4	27 3/4	50 7/8	26
Durakon	OTC	14 1/4	10	13	16
Echlin	NYSE	25 1/8	14 7/8	18	17
Facet	NYSE	23 1/8	10	11 1/8	23
Genuine Parts	NYSE	44 3/8	27 3/4	38 1/2	23
Grand Auto	AMEX	25 1/4	14 5/8	15 1/4	127
Modine	OTC	22 3/4	11 3/4	21 1/2	15
Mr. Gasket	OTC	15	4 3/8	7 1/4	–
Prkr Hannfin	NYSE	49	23 1/4	46 1/4	25
Pennzoil	NYSE	95	62 1/8	71	46
Pep Boys	NYSE	18 7/8	13	17 3/8	29
Perry Drugs	NYSE	15 3/8	9 1/2	11	–
Quaker State	NYSE	31 3/4	21 7/8	24 1/2	–
Rite Aid	NYSE	46 1/4	26 3/4	37 1/4	18
Sealed Power	NYSE	39 5/8	24 7/8	37 3/4	14
Southland	NYSE	80 1/4	44	74 1/4	13
Stan Mtr Prod	NYSE	25 3/8	16 1/2	18 7/8	14
Superior Ind	AMEX	19 3/8	11 1/8	15	10
TBC Corp.	OTC	13 3/4	3 3/4	13 5/8	–
TRW	NYSE	70	48 1/2	63 1/4	19
Tenneco	NYSE	62 1/2	37 1/8	61 1/8	–
Tracor	NYSE	33	16 3/4	32	34
Trak Auto	OTC	19	11	17 1/2	34
Triad Systems	OTC	15 1/8	8 1/2	13 1/4	26
Witco	NYSE	47 3/8	31 1/2	41 3/8	14

DOW JONES 65 COMPOSITE STOCKS

Dow Jones 65 composite stock and *AM's* 17 aftermarket stock price as of October 7.



AM 17 COMPOSITE AFTERMARKET STOCKS



PRODUCT OF THE MONTH: SPARK PLUGS

Drawing from the 1987 *Automotive Marketing Consumer Automotive Repair Study*, we look at the individuals who purchased and installed spark plugs during a 12-month period.

			Age					Income				Hours Per Month Spent On DIY				Number Of Cars Responsible For		
Total	Male	Female	-25	25-34	35-44	45-54	55 +	-$20K	$20-30K	$30-40K	40K	-1 hr	1-5 Hrs	6-10 Hrs	11 + Hrs	1	2	3 or More
100.0%	71.3%	28.7%	12.6%	28.5%	26.1%	14.9%	17.5%	23.9%	19.0%	16.4%	24.6%	18.5%	58.1%	13.1%	8.8%	36.7%	36.5%	26.8%

MARKET LINE

MARKET ANALYSIS

The Big Chill: Spark Plug Market Matures; Is A Shakeout Coming?

When seven straight manufacturers tell you the spark plug market is declining, and only disagree about how much, you have to wonder about the future of the market. Still, a market with about 630 million units sold annually, and retail dollar sales in the $1 billion range, is a market worth pursuing. That's why there are seven major companies fighting for share with lots of merchandising and advertising help for retailers.

Twenty years ago, there were only three companies that mattered. But 20 years ago, the spark plug market was pretty simple. The eight-cylinder domestic cars that made up perhaps 75-80% of the vehicle population in those days needed a tune-up every 10,000 miles or so, and spark plug replacement was a relatively simple DIY job. A tune-up was also a reasonably cheap job at a professional shop for non-DIYers.

Today, it's a different story. Perhaps only 45-50% of the cars and trucks on the road are V-8s, about 30-35% are four-cylinders, and 20-25% are six cylinder engines. This simple fact alone spiked spark plug growth. Although the number of holes to fill has not declined as drastically as some manufacturers feared, it has fallen. Add to that the fact that plugs last longer in engines burning unleaded fuel, and the desire of OE manufacturers for long-lasting plugs to operate in longer warranty cars, and you've got a tough act for spark plug replacement sales.

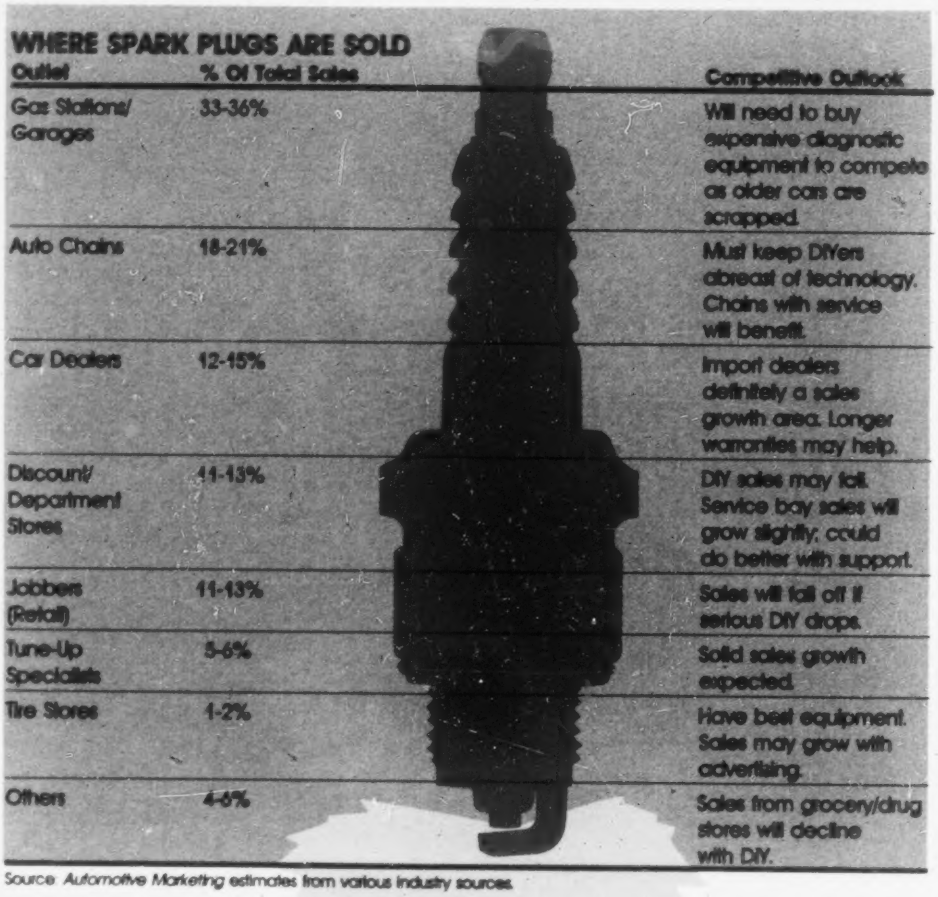
Today, a two-year, 24,000 mile plug is assumed. "That's nothing special," one spark plug maker's vp-sales said. "That's a given. We're pushing for a 50,000 mile plug, and heading for the 100,000 mile plug. But it's still a few years down the line yet." One interesting question is whether consumers will pay the premium price for such high quality plugs or if manufacturers will have to create dual lines for replacement plugs.

Of course, these are long-term concerns. Right now, manufacturers are concerned about gaining share in a market that's shrinking by about 2-3% a year. In such a market, the only way to survive is to take market share. And, as a result of this competition, the careful consumer can always find a rebate or promotion that keeps prices under $1 per plug.

"There're lots of people discouraged by low ball prices," a maker said. "We'd all like to sell a plug for more money. But in this market, the retailer has got to learn to sell related items. I know one chain that calls up related items right on the clerk's catalog screen and underlines the preferred sale so he has no excuse not to try and sell it. There are some people who give away plugs just to sell plug wires."

Estimates of DIY plug replacement were all over the board. After listening to seven manufacturers' estimates, we put it at about 40-45%. The auto chains outsell jobbers at about a three to two ratio for DIY sales. One reason for continuing strong DIY sales is the number of older cars still on the road. Most manufacturers expect DIY to drop steadily as older cars are scrapped. DIY plug replacement is not going to go away, manufacturers said, but it's going to fall into the 35-40% range, and perhaps a few percentage points lower in the long term.

At the retail level this trend will mean more competition for the DIY dollar and



WHERE SPARK PLUGS ARE SOLD

Outlet	% Of Total Sales	Competitive Outlook
Gas Stations/ Garages	33-36%	Will need to buy expensive diagnostic equipment to compete as older cars are scrapped.
Auto Chains	18-21%	Must keep DIYers abreast of technology. Chains with service will benefit.
Car Dealers	12-15%	Import dealers definitely a sales growth area. Longer warranties may help.
Discount/ Department Stores	11-13%	DIY sales may fall. Service bay sales will grow slightly; could do better with support.
Jobbers (Retail)	11-13%	Sales will fall off if serious DIY drops.
Tune-Up Specialists	5-6%	Solid sales growth expected.
Tire Stores	1-2%	Have best equipment. Sales may grow with advertising.
Others	4-6%	Sales from grocery/drug stores will decline with DIY.

Source: *Automotive Marketing* estimates from various industry sources.

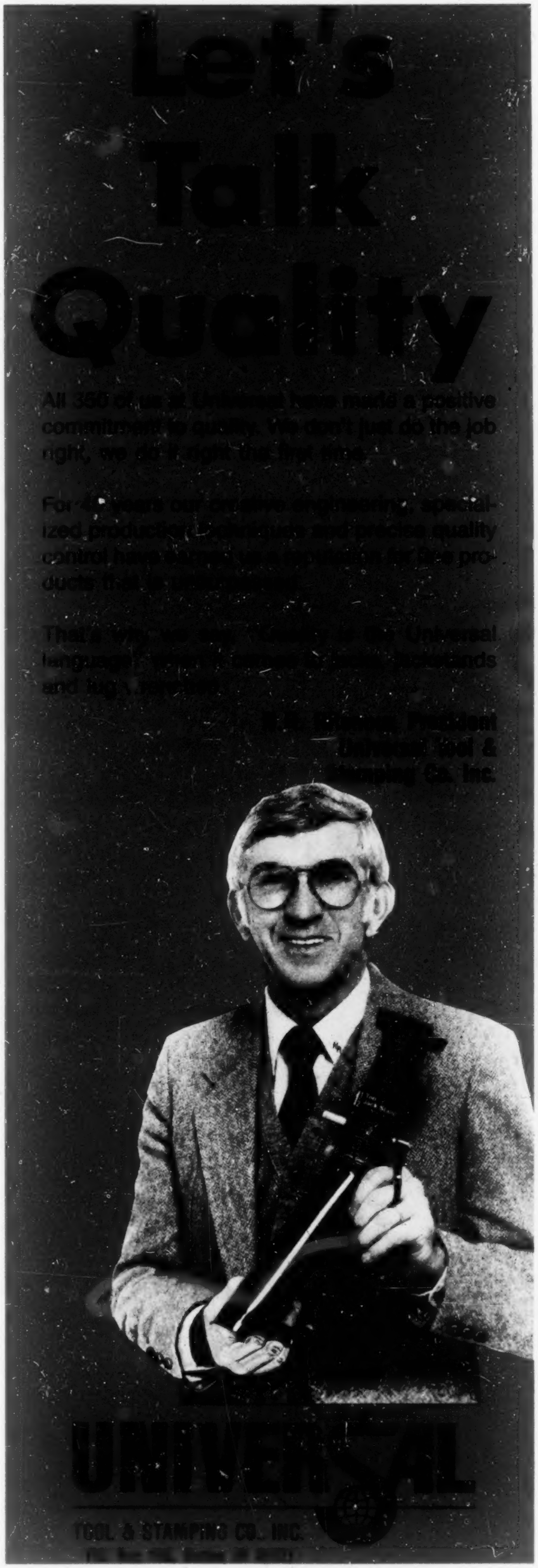
the chains with bays will benefit. Manufacturers hope it will mean more price stability and less need for expensive consumer advertising.

But as one import manufacturer suggested, selling the installed market is not easy. "Retail sales offer a clean, established, proven way to boost market share. Even with retail demands for advertising and co-op support, you can be pragmatic: it works. You sell 400-500 stores at a time and get instant credibility. But selling the traditional side is tougher and more time consuming. You have to sell the WD, the jobber, and the mechanic. It's a minimum two-step sell. The jobber's the most critical. The jobber's the decision maker. And the jobber's been told that you have to stock Champion and AC. And some felt they should have Autolite and Motorcraft also. They've been conditioned to this because those companies had huge sales forces calling on jobbers. But times are changing and factories can't afford those huge sales staffs any more. The economics just aren't there. And the jobber can't afford to carry four lines. The return on investment isn't there. The jobber's been forced to become a businessman. That's our opportunity to sell one line for imports and domestic. The long term trend favors us (the import OE suppliers)."

The growth in imports presents offshore manufacturers with an unprecedented opportunity to gain share and the established domestic manufacturers with a challenge.

Until the 1970s, the Champion Spark Plug Co., Toledo, OH, and AC-Delco, Detroit, dominated the market with a few sales for Motorcraft-Ford Parts and Service Div., Dearborn, MI (plugs made by Autolite). But first Autolite itself, and now Bosch, NGK, and Nippondenso are nipping at the leaders' heels. And although Champion and AC still control perhaps three-quarters of the total market, there are good reasons to believe this may not be true much longer.

Champion is number one in spark plug sales with about 38-42% of the market. Last year the company sold about 550 million units worldwide. Champion has the best brand awareness and spends over $3 million a year to keep it. It also has brand loyalty handed down from grandfather to father to son. The company has the widest distribution. Although import growth works against it, the company is OE to Hyundai and has good worldwide distribution. It is one of the few American companies that have had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[illegible], President
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[illegible]

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success selling overseas. But there are cracks in the Champion empire, as one competitor put it.

The company admits that it's had problems "reading the market" in recent years because of four-cylinder cars, imports, and no-lead gasoline. With SKUs ranging from 35 in discount stores to 100 in chain stores, and 250 or so at WDs, knowing what to sell is a key factor, and buyers lean on manufacturers for advice.

Then too, the company has had the problem of any market leader in adjusting to a more competitive environment. But Champion has taken some dramatic steps to change the company. Spark plugs presently make up about 45% of Champion's sales. In recent years, Anco wipers have become more important to the profit picture. And, just last year, management took the company into other automotive lines such as wires, filters, and chemicals to reduce the company's dependence on spark plugs. Champion has been the market leader since the 1950s. It has a strong tradition of service to retailers, and it's much too soon to count the firm out.

At 30-35% of the market, AC-Delco is right behind Champion. But like Champion, its market share has been dropping. The GM connection is a plus for loyal GM owners. But it's a fickle marketplace and some competitors said the OE connection no longer works in the aftermarket. The OE connection also has its negative side: for example, competitors wonder why consumers would buy AC plugs for Toyotas. This may be true, however, loyalty and a long history give AC continuing strength in the market.

AC also has a plus in the fact that the AC Spark Plug salesman also carries AC-Delco batteries, filters, and a wealth of other parts that retailers stock. AC-Delco is the replacement supermarket for retailers. And still, despite its problems, AC-Delco sells a third of the market.

There are some other concerns about AC-Delco. For one thing, GM profits are down, although $2.95 billion in profits in a *bad* year is the kind of bad year a lot of companies would like to have. As a result, GM has begun a close study of all its suppliers, including AC Spark Plug, in terms of profitability and competitiveness. GM is considering as much as $4 billion in outsourcing. Although results are not in yet, union scale wages make AC's manufacturing costs higher than other plug makers, a detriment to a cost-conscious OE maker.

Autolite/Allied Aftermarket Div., East Providence, RI, has come from virtually nothing in the 1970s to a solid number three with an 18-23% market share in the 1980s. One competitor called Autolite "Champion's bane" because it's taken away so much of Champion's business.

The company has excellent marketing programs, competitors said, and can work tie-in sales with Fram filters and Bendix brakes. In addition, Autolite's plugs are priced slightly below Champion and AC. One competitor summed it up, "They're positioned to do very well." Of all seven companies, Autolite was most expected to continue gaining share.

Along with Autolite, we should tie in Motorcraft, which buys from Autolite. Motorcraft, of course, has the Ford connection and about a 7-10% share of the market. Motorcraft always been a factor in the market, although, as one executive put it, "For some reason, they don't sell as many plugs as they ought to, even to Ford owners."

Making up the other 10% or so of the market are three offshore companies: NGK Spark Plugs USA, Torrance, CA; Nippondenso of Los Angeles, Long Beach,

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CA; and the Robert Bosch Corp., Broadview, IL. Although these three together have less than 10% of the market right now, the trends are with them for future gains. They are selling more plugs simply because Americans are buying more imported cars.

NGK and Nippondenso are the two largest spark plug makers in Japan, and Bosch is the number one spark plug maker in Europe. NGK has the larger share of the two Japanese companies: about 2-4%. It does 90% of Nissan OE business, 60% of Mazda and Subaru OE business, and splits Honda evenly with Nippondenso. The company makes only plugs and, like Champion used to do, can focus on the plug business. It also has less controls from its OE connections.

Nippondenso, on the other hand, is a major auto parts maker in Japan. However, it only sells plugs and a few other products in the U.S. Its share of the plug market is 1-2%. Nippondenso has about 90% of Toyota OE business, half of Honda, and about 40% of Mazda and Subaru. But Toyota plays a more decisive role in Nippondenso business than does Nissan for NGK. Toyota also markets Nippondenso plugs at Toyota dealerships under the Star program.

If imports reach 50% of new car sales, as predicted, both Nippondenso and NGK should grow to at least match Motorcraft. Both have been making increases in the number of outlets selling their plugs, particularly import numbers. But neither has had great success in selling full line coverage. Another factor holding them back is the Japanese desire not to inflame Congress by stealing even larger shares of the domestic aftermarket.

Bosch has no such worries. The company has about a 4-6% share of the market and is targeting the specialty tune-up centers. Tune-up centers represent one major growth segment in the market. Bosch also offers retailers a premium platinum plug that's unique in the market, and has had some success in selling the line. "They've targeted a niche where they can make a rapid growth," a competitor said. "And they're doing a good job." Bosch also benefits from its OE connection to German and other European cars. A competitor called it the "yuppie" plug.

What do these companies see in the future? Long-term, a drop in the DIY rate as more casual DIYers turn to tune-up centers. No one predicts a drastic fall, but expectations are that the DIY rate will be closer to 35% than 40% by 1990. On the professional side, service stations and traditional garages may lose some business simply because they can't afford the expensive equipment needed to work on newer ignition systems. This business will probably go back to dealers, or to chains and specialists that have the equipment to test electronic ignition systems.

On the short term, a cold Winter could push up the tune-up rate and spark plug sales, which will be good for everybody, retailers and manufacturers alike. ■

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SHOW UPDATE

More SEMA/AI Show Seminars Planned

In addition to the schedule we published in last month's Market Line section, the Specialty Equipment Market Association (SEMA) has added two 8:30 am seminars for Thursday, November 19, to precede the SEMA/AI Show in Las Vegas. The seminars are: "Training Counterpeople" and "How To Squeeze More Out Of Your Profit Dollar." ■

BUYERS & REPS:
A Good Relationship Brings Relief From Pressing Demands

Both buyers and reps have many frustrations. We know. We asked them. But it's not all negative. Here's what we found out.

by **Rosemarie Kitchin**, Editor

Neither of them, automotive parts buyers nor the representatives who call on them, has "the perfect job."

Both parties to the retail automotive aftermarket selling situation have restrictions and frustrations in their workplace, but they also have some job satisfaction. They realize that they must work together, understand each other's viewpoint, and try to do business with the other party's perspective in mind, hard as that may be sometimes.

This is true whether those sales people work directly for a supplier company or are employed by an independent manufacturers' rep firm. It's true whether the buyer is the owner of a one store operation, or responsible for multiple product lines for several hundred stores.

Getting Down To The Human Elements

Every analysis of the relationship between buyers and sales reps starts and finishes with the basics of people-to-people relationships.

When buyer and rep like and respect each other, the business relationship prospers. So does the business.

People buy from people they like," said Vince Voetberg, sales representative for Cal-Trac Equipment Inc., Detroit. Voetberg, a top producer for his company, has sold aerial work platforms for the last six years. Talking of his own success, he said, "I never returned to college after that first year. I got a summer sales job which I never left. I just found the career for me.

"People tell me I'm a natural at it. I like people, I like to listen to them, I like to solve their problems. When I can solve those problems with my products, it's a win-win situation."

Voetberg may be what people call "a natural at sales," but whether he was born with the knack and the right perspective, or whether he developed the talent of seeing what needs to be done from the other party's viewpoint along the way, he's the kind of sales rep a buyer looks forward to seeing.

The person who hired him chose well.

Looking For True Love

Rick Frank, buyer for the Auto Supermarket Chain in Uniontown, PA, compares a successful buyer/rep relationship to a marriage. (See "The Fable Of Buyers And Reps")

The buyer/rep relationship may well be like any marriage which is functioning successfully. It's based upon mutual respect, trust, and the affection, if you will, of both parties for each other. It's based upon perspective, perception, and understanding of what each party needs from the relationship. And it's based upon hard work to help the other partner accomplish those needs.

THE FABLE OF BUYERS AND REPS

Even adults like stories which begin with "Once upon a time," or stories that make their point subtly or cleverly. Rick Frank, Frank's Auto Supply, Uniontown, PA, responded to our query about the relationship between buyers and reps with the following fable.

The relationship between a rep and a buyer is like a marriage. The man (the rep) has only one thing on his mind. . .sex (orders). He wants nothing to do with yard work (follow-up work).

Meanwhile, the nagging woman (the buyer), who also happens to enjoy sex occasionally, constantly complains about the yard work that isn't getting done around the house (stores and warehouse). She does a lot of housework (profit analysis) and laundry (company meetings) and doesn't feel that she should have to do the yard work, too.

The man could be very important to the woman if he would do his yard work, but he ignores the height of the grass (obsoletes) and the unruly bushes (defectives and warranty). And the woman can't concentrate on sex because all she can think about is the yard work that should have been done long ago.

The marriage continues like this until the woman gets tired of it and has to make a decision (line change). Unless she really loves the man, or the sex, enough to put up with his laziness, she can either withhold sex until he straightens up the yard, or she can find a new man who likes sex and will do yard work, too. However, those men are hard to find.

Moral: If reps want more sex, they should spend more time in the yard!

'Nuff said?

Automotive Marketing surveyed both automotive parts buyers and manufacturers representative personnel for their opinions about the working relationships in the industry. Interestingly enough, the issues which surfaced from our survey and its analysis were overwhelmingly human concerns. Few comments dealt with *industry issues* such as the "extraordinary merchandising support demands" which retail customers are asking from suppliers (sometimes through the reps who serve as intermediaries between the two parties), or the Wal-Mart policy of cutting reps from the buying procedure. (See *Automotive Marketing*'s three part series on co-op advertising in our April, May and June 1987 issues).

What both buyers and reps told us dealt with the human relationship problems, not aftermarket specifics.

Defining The Jobs

There is consensus about the functions of buyers and reps. Bob Heather of Perry Drugs, Pontiac, MI, defines his buyer responsibility this way. "I have to anticipate the customer and his needs, and use as few SKUs as possible to do it. 'If it isn't at Perry's, you don't need it' should be the buyer's philosophy when it comes to picking product."

According to Heather, a good buyer helps his or her company with the least possible investment. And a good buyer works hard on his business relationships, Heather said, not only with the reps so he gets the best deals, but also with in-store personnel so that his products get the best facings. (For a closer look at just what buyers do, see the boxed interviews with Crazy Joe's buyers on these pages.)

While buyers have one definite goal, to work for the profit of their stores, in the eyes of the industry the rep must look in more than one direction.

Greg Brusco and John Stone, both buyers with Perry Drugs' Auto Works

Divivision, agreed. Brusco said, "A rep's function is communications between factory and retailer." Stone broadened the rep's viewpoints further when he said that a rep should "keep the buyer current on what is going in with the supplier, the industry, and my competition."

The rep's role may seem precarious, too. One rep compares his function with a weight on a teeter totter, "keeping the balance between my factories and my customers."

A customer of sales rep Art Payne of Rex & Associates, Rochester, MI, sees reps as "brokers who work the connection between factory and stores, and get paid for it."

Reps themselves see their jobs as selling products for the manufacturers which they represent to the stores upon which they call. They put the follow up necessary to service the accounts high on their priorities.

Stan Padover of Automotive Aftermarket Representatives Inc., East Meadow, NY, puts the rep role succinctly, "Our primary function is to service, and our other important function is to sell."

David Weiss of Marc Alan Associates Inc., River Edge, NJ, was more expansive. He said, "Our function is to present lines and items. To write orders. To write ads. To call in orders. To follow up orders at the factory. To fight with truckers to deliver orders. To correct invoices. To collect monies due from customers and manufacturers. To educate new sales managers and new buyers."

When Gerry Clark of Gerry Clark & Associates, Houston, TX, defines his rep functions, he adds the dimension of seeing his job from both sides. Clark aims to "bring the factory program in sync to coincide with the customer's way of going to market!"

Telling No Lies

If there's one more thing upon which both buyers and reps agree, it's honesty. We found that honesty was the most appreciated attribute for both buyers and reps. On the other hand, the same attribute ranked just as high on both buyers' and reps' "want lists" as the one thing which could be improved in the relationship.

According to our panelists, candor will help buyers understand the factories' limitations, and reps, the demands of the retailers.

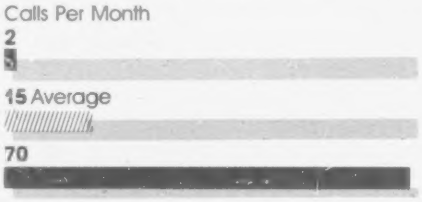
Open minds are also high on the list of attributes which contribute to the successful working of buyers with reps.

In response to a question about what one thing would improve the buyer/rep relationship, Ken Takaki, E&T Sales Inc., Honolulu, said he wants buyers to have "an open minded attitude about all the help a rep has given him."

Red Jacobsen, Pacific Marketing Associates Inc., Seattle, would like it if buyers "wouldn't make a snap judgement about

HOW MANY REPS DO BUYERS SEE?

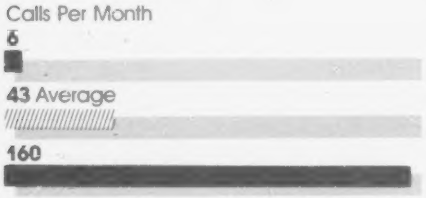
We asked our Corporate Headquarters Buyers Panel: "How many reps do you see, on the average, each month?" The answers ranged from a low of two to a high of 70, with 15 reps being the average. Overwhelmingly, our panel told us they prefer that reps set appointments in advance, send them information before the scheduled meeting, and provide sample products. The majority of the buyers prefer monthly appointment with reps, but a substantial minority want reps to call on them "whenever necessary."



Source: 1987 *Automotive Marketing* Corporate Headquarters Buyers Panel

HOW MANY BUYERS DO REPS SEE?

We asked our Rep Panel: "How many buyers do you see, on the average, each month?" The answers ranged from a low of six to a high of 160, with 43 buyers being the average. All of the reps said they called in advance for an appointment, generally between one and two weeks ahead. Contrary to what the buyers said they want, the reps said they prefer to control the presentation by not sending material to buyers in advance.



Source: 1987 *Automotive Marketing* Rep Panel

THE CHEMICAL AND ACCESSORIES BUYER

Crazy Joe's is a two dozen automotive parts stores chain operation in the Carolinas, privately owned by Joe Armentrout and headquartered in Kannapolis, NC. Its business is almost totally retail. The chain promotes heavily, and the product mix is typical of that for a business catering to DIYers in the Southeast. Every store has tools for rent, a copy machine for DIY customers to copy automotive repair manual pages, and a very visible selection of performance products. That's in addition to the customary retail store mix of parts, chemicals, and accessories.

Mark Gagliano's been buying inventory for Crazy Joe's for a little more than two years now.

Gagliano's responsibilities include buying chemicals and accessories, and in Crazy Joe's operation, a buyer is also responsible for individual store inventory levels on his lines.

Gagliano's been in the parts business for 13 years, on both coasts, in Colorado with Mother Trucker, and now down in the Carolinas. He "came in" from store management to buy.

While he doesn't have the ultimate change-over decision authority, he does talk with all reps seeking to place new lines within the chain, and presents the programs to Armentrout. When he's looking at a new line, Gagliano evaluates the order fill (is it as good or better?), the profit structure (is it better than Crazy Joe's present line?), the packaging (is it comparable? Right for the stores' needs?), the suppliers (Reputation? Support?), and the rep, whether direct or multi-line (How does he perform for his line? Or lines?).

When it comes to reps, Gagliano said a good rep is one who brings all that's necessary to the presentation, including samples. The good rep works with Gagliano on a continuing basis to handle rejects, and keeps Crazy Joe's computers current with updates and deletions. He also keeps Gagliano current on what's happening in the product market.

Further, a good rep negotiates the initial order, helps with dating terms, gets that extra percentage for the retailer and shows up for, and works at, new store openings.

"If a good rep changes firms or loses a line, it's no matter. He's still a good rep. We worked with someone who lost a line he had 16 years: he did a good job. We'd like to work with him again, and we'll look real hard at what he brings us," said Gagliano.

Gagliano doesn't like reps to make "moon promises" when they want the sale.

And Gagliano doesn't believe that initial orders are the equivalent of adoption papers, since he also dislikes a rep who "orphans" a new line in the stores.

If Gagliano could choose one more thing for a rep to do, and do well, it would be an annual cleanup of the products at the stores and the warehouse.

What makes a good buyer in Gagliano's evaluation? Someone, he said, who brings in the best programs for his stores when it comes to margins and fills, and who manages the planograms, including many endcap promotions per year, well.

a new line before they see it."

If a rep is "willing to see the total value of a product and not only the price," Tom Gilliam, The Kayes Co., Columbus, OH, would be happier.

Hitting Overload

There's a serious problem which both automotive parts buyers and the reps who call upon them perceive.

Buyers are too busy. One who preferred not to be identified said candidly, "Companies will spend only so many dollars on employees. So things fall through the cracks. You may miss deals, you may miss some good advertising co-op dollars. The worst thing is that you can't find time to make the good judgments about which (decisions) are those which affect the 20% of the products you buy to get 80% of your lines' sales."

Reps, too, see the overload on the buyers. When they expressed what they'd like to change about the buyers, they wanted to do away with the long lead times needed before appointments with some buyers, interruptions during a call, and the incomplete attention which a buyer sometimes pays to a rep.

Larry Johnson, Richard G. Johnson Inc., Farmington Hills, MI, would create more time for buyers so that they could finish projects they start. "They have too much on their minds," another said, "to really pay attention to what we have to say."

Reps are also frustrated by the "buying committee" syndrome which doesn't allow buyers to make decisions on the spot. And they resent losing business without the opportunity to have their products reviewed as the buying committee contemplates a line change.

Making It Perfect

What could make the relationship, given current circumstances, better?

Both parties must earn their own way. A good rep can add value to the relationship, according to Michael Mitchell, Chief Auto Parts, Dallas. Mitchell said, "If a rep is to be a party to the vendor/vendee relationship, he *must* know what his factory is selling, how it fits into the customer product mix/marketing strategy, and how to sell the products through the channels. The rep must add value to the relationship or he has no place."

And, as Mark Noble of Leanse, Mitcham and Noble, Dallas, said, if buyers handle reps "correctly, rather than as an adversary, the reps will help."

Having dual perspective, or even perspective from the "other" side, is a common theme among our panelists. Tom Wilson, McFadden, Emert, Wilson Inc., Seattle, said, "The mutual goal for both parties is to increase the customers' sales of the manufacturers' products. When this goal is achieved, all three parties increase their profits."

His partner, Ron McFadden has spent time on both sides of the sales table. He said, "I spent 12 years as a professional buyer. I saw my role as the eyes and ears of my employer, and I appreciated salesmen who knew their product line (and my business) well enough to make intelligent presentations.

"As a seller, I try to know enough about my line and enough about my customers' businesses to be able to make a case for my product lines on their benefits to the customer.

"The other thing that really matters in a relationship between a rep and a buyer is that I maintain absolute honesty, that I am willing to back up my promises, and that I only sell him what will benefit him.

"On a maintenance basis, it is important to make the best use of a buyer's time by being prepared, by calling far enough in advance to make the best use of his schedule, and by not taking his time for unproductive reasons."

Counting On Friendship

Of course, friendship counts. A lot of reps and buyers spend time together outside of office hours and outside of the office. But as Larry Johnson cautions, "A strong buyer/rep friendship does not mean automatic sales."

Fran Rementer, Fran Rementer & Associates, Philadelphia, has another warning for reps, even those who have had a long successful relationship with certain buyers. He comments, "The relationship between buyers and reps must be nurtured and perpetuated and never, I repeat, never taken for granted.

"This may sound very academic but these relationships, although strong on the surface, can be very tenuous. An unreturned phone call, an unpleasant experience with the company's credit department, poor follow-up on a commitment. . . these are all negative actions that can reverse a relationship overnight."

So, like any good relationship, that of buyers and reps should be nurtured carefully and constantly. ■

A MIXED BAG BUYER

Tony LaBarbera became a buyer after working in four Crazy Joe's stores as management, one of them for almost three years. Responsible for accessories and some hard parts, he's been behind the buyer's desk for a little more than a year.

LaBarbera sees the buyer's job as "making sure that the stores have what they need when they need it." He relies heavily upon his weekly computer printouts to determine how well he's hitting the mark, on units sold as well as the sales dollar value.

He'll pull his computer report on every line and check it carefully as his warehouse inventory level nears his own critical point on that product category. (The Crazy Joe chain has a central warehouse serving all of its 24 stores).

And LaBarbera figures on "making weight," or buying enough at a time to qualify for the suppliers' free freight requirement, on every single purchase. LaBarbera works hard at buying just the right amount on each line.

"It's like planning Sunday family dinner," he said. "You want to have enough for everybody to eat and be satisfied, but you don't want a lot of leftovers to put away."

For example, he buys brakes, figuring on seven weeks' supply and a three and a half week lead time. He cuts it as close as possible for maximum cost efficiency.

LaBarbera's wants reps to make him aware of new offerings, and send something to him in advance of the presentation, especially samples.

What makes a good rep in LaBarbera's eyes? "First," he said, "you have to remember that a rep pays homage to two of us. He may get a percentage from the vendor, but he has to please us both.

"I like a rep who calls on me more frequently than he sells, but who calls first before he drops in. Dropping in is a turnoff.

"I like a rep who takes care of defects, who touches base, who gives me feedback about my own stores and his lines, and who gives me feedback about the competition's stores and their lines.

"You can get good information from reps. Some I rely on. They're gospel. Others talk to get a sale. I buy from those only because I need the parts or I get the price."

When it comes to line change considerations, his expectations are "the same things which cause us to keep a line." He lists those factors as price, quality, fill rates, and rep service when there's a problem.

If LaBarbera could change one thing about the people who call on him, he'd have the reps bring in "more competitive information, no, be more honest in all ways." Upon further consideration, LaBarbera decided that it was too hard to generalize. "It depends on the rep."

SECURITY A HARD SELL DOES GOOD

Security is still a hard sell for some retailers. But the profits from doing a good job selling security products are worth the effort.

by **Gail Krueger-Nicholson**, Senior Editor

The aftermarket has a love/hate relationship with vehicle security products. Vehicle owners love security products because they work to protect their cars, light trucks, and vans from thieves. But they also hate security products because the items are a constant reminder of just how nasty the world has become for their favorite vehicles.

Vehicle thieves hate security products because they work so effectively. Security product manufacturers love their products because they work so effectively.

Aftermarket retailers love security products because sales of these items—from the most sophisticated alarm system to the simplest wheel lock—add up to big profits. But some of them also hate security products because these items can be a hard sell.

Bad News Is Good News

The good news is that selling vehicle security products should get easier. That's because the bad news is that vehicle theft is up.

The U.S. Department of Justice reported that vehicle theft rose 11% in 1986 over 1985. The vehicle theft statistics are part of the offenses making up the Federal Bureau Of Investigation's (FBI) uniform crime index which rose 6% overall from 1985 to 1986. The overall cost of vehicle theft to the victims is a whopping $5.7 billion annually, according to the Washington, DC-based National Automobile Theft Bureau. The victims have only about a 60% chance of recovering their vehicles (in one piece), the same group states, in part because the arrest rate for the crime is only about 15%.

All this bad news is part of an interesting trend that started in 1985. During that year, about 1.1 million cars were stolen—that was about one out of every 159 registered vehicles. And a lot of those vehicles disappeared from areas not previously noted for vehicle theft. For instance, vehicle theft rose 16% in the South between 1984 and 1985. During the same time period, theft also rose in such unlikely towns as Minneapolis (up 59%), Sacramento, CA (up 30.6%), and Baton Rouge, LA (up a scary 130.8%). Meanwhile, in the big cities, vehicle theft fell during the same time period. In New York, vehicle theft dropped 11.4%; it dropped 12.9% in Detroit.

Those numbers should mean something to retailers like David Staurinos of Speed World, Elmhurst, NY; B. F. Green of Western Auto, Dublin, TX; and Ed Jessen of Bert Sales Co., Waterloo, IA; all of whom joked that the only thing manufacturers could do to help them sell more security products was to "send more car thieves to my town." They don't have to worry; the thieves are on their way.

A Bright Future

Besides the jokes, retailers generally feel good about vehicle security products. At least 60% of *Automotive Marketing's* Retail Panel sell some kind of security product. That's up from the 43% who told us that last year. Another 34% feel their sales of security product will increase next year. Most said they felt that way because "theft is up in my area."

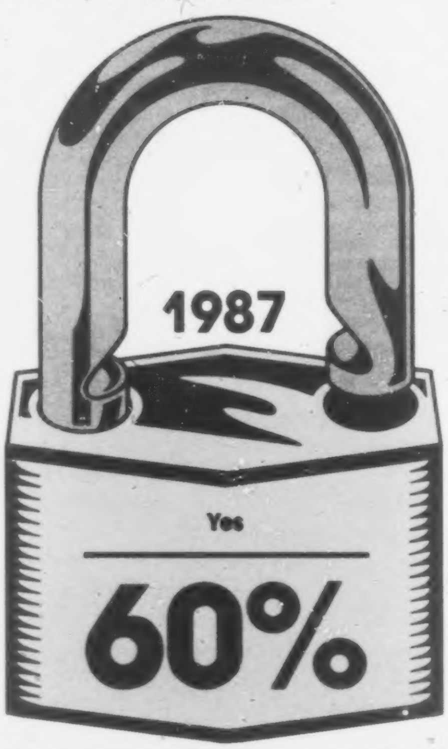
And retailers should feel good about the market for security products. The market is "looking stronger and stronger because there is more awareness of the products each year," according to one manufacturer. Aaron Lowe, president of the Vehicle Security Association (VSA), Lanham, MD, agrees. "There is a bright future for these products," Lowe said.

The Other Side Of The Coin

But some retailers find that selling security is not an easy job. Adam Fowler of National Auto, Ilion, NY, said he would like security product manufacturers "to

HOW MANY RETAILERS SELL VEHICLE SECURITY PRODUCTS?

We asked our Retail Panel members the same question in 1987 and in 1986: "Do you sell automotive security products?" Some 17% more said they did this year than last.



No	40%
1986	
Yes	43%
No	57%

Source: 1987 and 1986 *Automotive Marketing* Retail Panel

WILL SALES OF SECURITY PRODUCTS INCREASE?

We asked our Retail Panel members who sell vehicle security "Do you think sales of this product line will increase, decrease, or stay the same?" Most of those who said sales will increase said they felt that way because crime was up in their retailing areas.

Increase	34%
Decrease	3%
Stay The Same	63%

Source: 1987 *Automotive Marketing* Retail Panel

SECURITY

SECURITY HISTORY

No one knows when the first motorized vehicle was swiped. But the automotive manufacturing industry and the automotive theft "industry" probably grew up hand-in-hand. Luckily, for vehicle owners and retailers, the automotive security industry wasn't far behind. A couple of early and odd security devices include:

A removable steering lever on the 1900 Leach Motor Carriage. Early drivers also carried chains and padlocks to secure their vehicles.

Half a century later, a 75- year-old refugee from East Prussia, Emil Fieblinger, invented an anti-theft device that not only snapped a picture of the would-be thief, but also boomed out the recorded message "I am being stolen, stop the thief."

And in 1960, Austrian inventor Ulrich Reiter developed a device that cut off the ignition, sounded the horn, and snapped iron fetters around the ankles of a would-be thief when he inserted the ignition key and stepped on the gas.

WHAT KIND OF SECURITY PRODUCTS DO YOU SELL?

We asked our Retail Panel members "What types of vehicle security products do you sell?" Not surprisingly, many panel members sell simple, mechanical devices as well as sophisticated alarms.

Locking Gas Caps	100%
Mechanical Devices (Such as chain, padlocks, bars, etc.)	76%
Locking Lug Nuts	66%
Audible Alarms	54%
Remote Activated Alarms	29%
Passive Alarms	27%
Anti-Theft Stickers	27%
Removable Steering Wheels	20%
ID/VIN Etching Kits	10%

Source: 1987 *Automotive Marketing* Retail Panel

PROMOTING SECURITY

As a retailer, you can, and should, do a lot of things to promote security products. For one thing, you should contact your suppliers for the latest in training material. Manufacturers will provide training tip booklets and videos on selling and installing their products. Some will even send out a trainer to bring your staff up to speed on the latest technology. Manufacturers also provide great displays to show off and demonstrate their products.

You can also promote vehicle security products by reminding your customers of how important vehicle security is. You can start by posting these anti-theft tips from the Motor Vehicle Manufacturers Association (MVMA) and the Pennsylvania Insurance League.

- Buy and use today's vehicle security products.
- Lock your car, put the key in your pocket. About 20% of theft occurs because of keys left in the ignition.
- Turn your front wheels sharply into the curb. If your vehicle is one that a thief badly needs, he'll tow it. Turned wheels will make towing tough. Also watch for strange tow trucks in your neighborhood.
- Park in a well-lighted area. Guarded lots are a better investment than that freebie space near a dark alley.
- If you have to leave the key with a lot attendant, leave only the ignition key. No point in letting the attendant look in your glove box for documents that show where you and your vehicle live.
- Take your license and registration with you. If left in the car, thieves can use these documents to more easily sell your vehicle, or even impersonate you.
- Don't hide spare keys on the vehicle—thieves know all about that. Keep a spare, unmarked key in your wallet.
- At home, put your vehicle in the garage and lock the garage. Sure it's easy to leave it in the driveway for a quick morning getaway, but thieves like quick getaways, too.

make the products simpler for the customers to use." "These devices require a pre-selling of the customer through TV exposure," according to Lewis B. Edwards of Edwards & Sons, Pahokee, FL. Steve Levine of Midway Auto Supply, Dallas, said he wanted "better displays."

Even some manufacturers admit that selling security is not easy. "It's like insurance. Everybody should have it but nobody wants to buy it. It's always been a tough sell," one said.

That's because $100 spent on a security product is $100 a customer can't spend on products that are more fun—like a new car stereo or a new set of custom wheels. But the customer can buy peace of mind by buying a security product to protect those fun items. And peace of mind is something retailers can sell at a profit, especially with the help of manufacturers.

Some Help From Your Friends

The automotive security industry is trying to make it easier for retailers to sell the products. For instance, the VSA is fighting to have states require insurance discounts on theft policies for vehicles that have security systems. So far, Illinois, Kentucky, Massachusetts, Michigan, and New York require insurance discounts ranging from 5% to 20%. Texas is permitting insurance companies doing business there to offer a discount for security devices, according to Lowe.

Manufacturers are working hard to create a favorable atmosphere for security sales. For instance, Anes is sponsoring a unique program aimed at reducing vehicle thefts in the 50 cities with the highest number of such crimes. Anes is offering a $1,000 prize to the city that records the greatest percentage of decrease in car thefts this August compared to last 1986. (The results are still being tabulated.) Anes president Sheldon Kirshner, in a letter sent to the 50 mayors, urged cities to focus on the fact that August usually posts the highest number of vehicle thefts each year by naming the month "Auto Theft Prevention Month."

The devices themselves, often self-contained for easy DIY installation and passive (self arming), offer a wide range of easy-to-use and easy-to-understand features. The hottest thing in the market today is the variety of remote features. Security systems with remote controls can arm and disarm alarms, lock and unlock doors, roll windows up and down, and open hoods and trunks all at the push of a button. All the "creature comforts" supplied by these remote controlled systems are appealing to women and "yuppie" customers.

The manufacturers are bombarding potential customers with information on vehicle security products. For instance, security products are used as prizes on nationally televised game shows like *Wheel Of Fortune* and *Sale Of The Century*. In the stores, vehicle security displays are color-coded to product boxes to help the customers sell themselves. Security center displays, with non-functional models of security products, explain product features and let interested customers touch the merchandise while keeping the sticky-fingered ones from walking off with valuable floor models. (Ironically, the problem of shoplifting is one thing that keeps some retailers from successfully selling security products. That's because while keeping the product behind glass keeps it from "walking off," it also keeps the customers away.)

The most important thing a retailer can do to boost his security product sales is to let customers know he has the goods. Security must be displayed and promoted to be sold. Retailers should sell a full line of security products, everything from simple items like locking gas caps (100% of our Retail Panel members sell these) to remote and audible alarms (83% of the Panel sell these). But then there are the retailers like the one from Texas who said his security product sales will stay the same next year because "we need to promote these products to increase sales and we have no plans to increase promotion." This guy will lose out on the strong profits these product create. And there's no reason for that. ■

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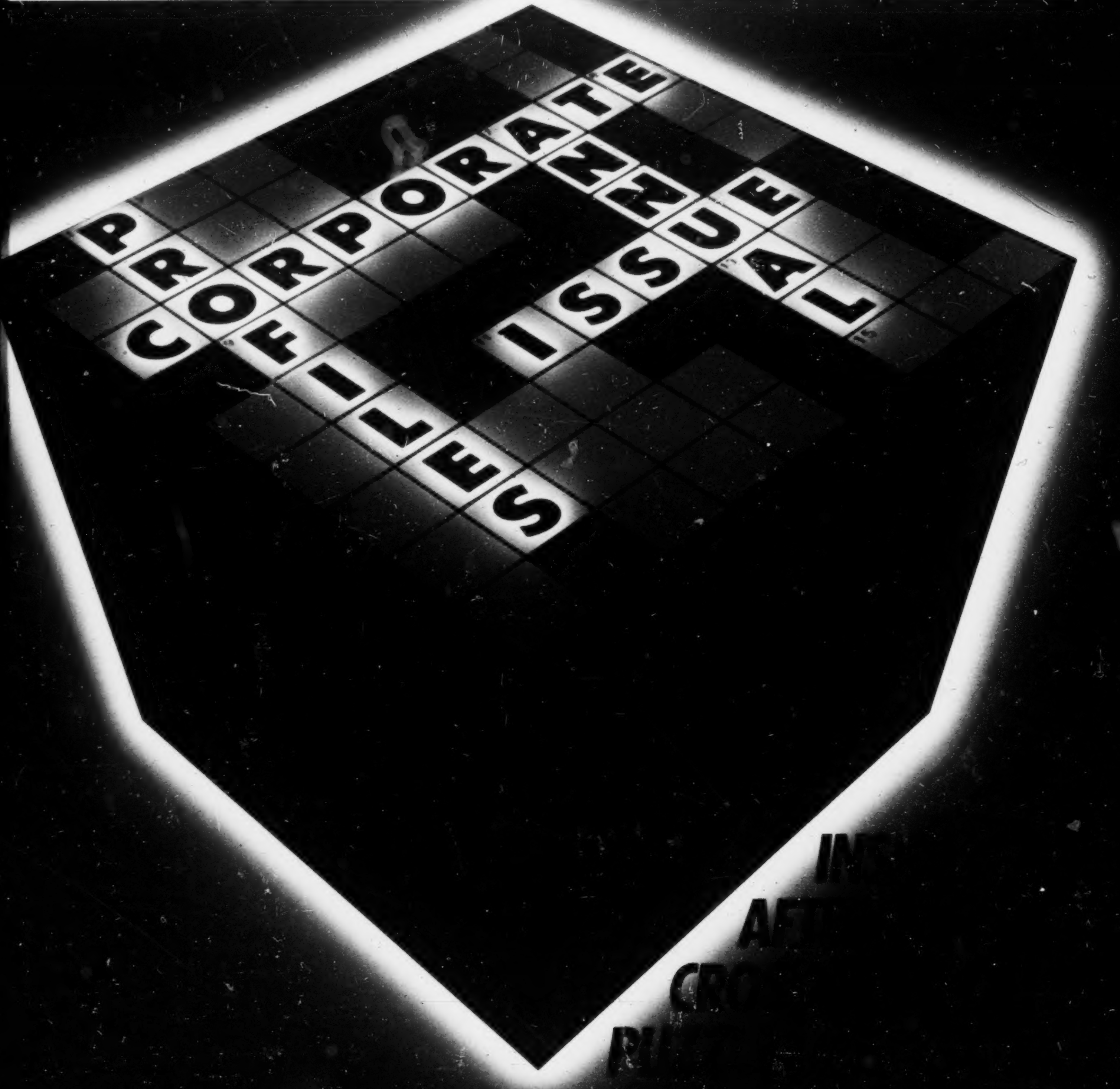
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CORPORATE PROFILES

FEATURES

Corporate Profiles 10
A close look at the suppliers, their products, their programs, and their plans for helping retailers stay in business at a profit.

DEPARTMENTS

Detailing The Market 5
Editorial 9
Products 85
Reader Service Card 93
Rep Guide 95
Ad Index 98

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PUBLISHER'S NOTES

PARTNERS AND A PUZZLE

Partners turned out to be the key word as we developed this Corporate Profiles Issue.

As we worked with industry suppliers in developing their profiles, they used the word "partners" time and time again.

In what context?

Actually, in two. First, in the context of partners at the supplier level. Partnership is evident, too, in marketing collaborations like that of Dorman and Champion Spark Plug. And partnership is evident in terms of the automotive parts retailers as partners with their suppliers in providing parts, chemicals, and accessories to the DIYer.

It's increasingly evident that we all must work together—as partners—to keep the retail aftermarket strong, viable, and profitable.

Life shouldn't be all business, though; so we've added one element of entertainment to this issue—our first *Automotive Marketing* aftermarket crossword puzzle. You can find the answers in the profiles themselves. Have a good time!

And accept our wishes for a most pleasant holiday season, and our pledge of support to help you continue to enjoy aftermarket profits for the coming year. We at *Automotive Marketing* appreciate your continuing interest and support. ■

Sarah Frankson,
Publisher

DETAILING THE MARKET

IN-STORE FOCUS

TEAM CAR CARE WAREHOUSE
Headquarters: 9300 E Hampton Dr., Capitol Heights, MD 20743
(301) 350-7150
Stores: 3
Total Sales: NA/new
Average SKUs: 18,000
Founded: 1986

TEAM
CAR CARE WAREHOUSE
PERFORMANCE CORNER

Jim Gauntlett, president of this newly formed chain, believes that his stores-within-a-store concept is the first of its kind in the aftermarket.

"Here's the game plan," he said, outlining his strategy. "Instead of looking the same, each department is a store in itself, functioning as a distinct separate area, even though they're in the same store."

Gauntlett said the idea is working well in the chain's first five outlets, the first of which, in Pasadena, MD, had its grand opening in September.

Here's how the idea works: Each outlet is basically square in shape and has 6,500 sq. ft. divided into three distinct sections, or "stores." The largest section, located at the front of the store and stretching its width, is the DIY area, and consists of products such as car mats, hoses, fan belts, oil, chemicals, filters, seat covers, and so forth. Each DIY department has color-coded signs.

Much attention was given to the performance corner, set in the left rear of the chain's stores. Designed in a racing motif, it features dropped ceilings, giving a "boutique look." A bright mirror-like material, black-and-red striped gondolas, black and white checkerboard floors, and end-caps and displays lit by halogen spotlights complete the setting.

The rest is what Gauntlett calls a jobber parts store. Parts displays stretch from floor to ceiling, adding to the wholesale atmosphere.

Each outlet also features an L-shaped wrap around parts counter, which guides the customers from the DIY section back to the hard parts area.

"Walking into one of our outlets is like walking into a department store," said Gauntlett. "That's what it's meant to be."

To complete the scene, employees are dressed in color-coordinated uniforms that match the motif of the stores. Management personnel dress in black pants, a white shirt, and a red tie that says "team." General help wears black pants and a red shirt; cashiers wear black smocks. Badges are brass name tags embossed in black.

Each store front features a red stripe which comes up the sides of the double doors and across their tops, tying in with the red racing stripe motif; this gives what Gauntlett calls the "McDonald's image"—a clearly identifiable graphic for the consumer to look for.

Investment for the first Team Car Care Warehouse units has been considerable, but Gauntlett is cagey about how considerable. He won't comment, either, on when he expects to achieve a return on investment. The chain is a division of G&M Performance Parts, Capitol Heights, MD.

Gauntlett obviously has a great deal of backing, personally and financially, from the parent company, but he prefers not to talk about budget details. But he will talk about the stores themselves and what they provide the consumer.

"I believe the industry deserves a quality store staffed with quality people and quality merchandise," he said.

He is very proud of his staff, and hopes eliminate high employee turnover. "Let's just say we offer an unusually attractive benefits package," he said.

The stores function with a high-tech computerized electronic parts catalog and POS system; parts are ordered from three G&M warehouses (Washington, DC, Norfolk, VA, and Greensboro, SC). "We have a special order program that delivers within 24 hours," explained Gauntlett. "So although each outlet stocks 18,000 SKUs, the consumer is actually picking from 60,000 available items."

Who is this consumer?

"We don't just want an ad-only customer," said Gauntlett. "Advertising alone does not mean aggressive retailing; it just generates an ad budget. We want the discretionary income guy. I want the kid who spends $8,000 on a stereo for his pickup truck; the guy who needs racing parts and a full gamut of accessories."

It's too soon to tell whether he will succeed. But early customer response is heartening, he said. "We're looking to open a minimum of eight to ten stores a year in the Maryland-Virginia area," he said. At press time he had six signed leases and was aggressively building an empire.

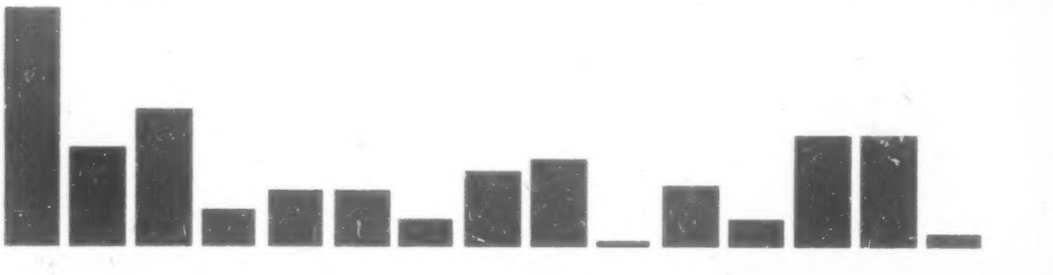
DETAIL

of all new vehicles sold in Texas are light trucks, but only 7% of the total U.S. population lives in Texas, according to *American Demographics*.

PROFILE: DIYers WHO DON'T BUY AFTERMARKET PRODUCTS

Drawing from the 1987 *Automotive Marketing Consumer Automotive Repair Study*, we look at DIYers who say they are responsible for maintaining a car and do some work on the car themselves, but didn't actually buy any standard aftermarket products such as motor oil or antifreeze.

			Age					Income				Hours Per Month Spent On DIY			
Total	Male	Female	-25	25-34	35-44	45-54	55 +	-$20K	$20-30K	$30-40K	+ 40K	-1 Hrs	1-5 Hrs	6-10 Hrs	11 + Hrs
100.0%	42.1%	57.9%	15.8%	21.1%	18.4%	10.5%	31.6%	36.8%	2.6%	26.3%	10.5%	47.4%	47.4%	5.3%	0.0%



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AN AUTOMOTIVE MARKETING SPECIAL REPORT

AFTERMARKET RETAILING & SERVICE: CHANGING INTO THE 1990s

- Who Will Be The Customers?
- Who Will Be The Competition?
- How Will Operations Change?

Chilton's

AUTOMOTIVE MARKETING

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OUR
COMPANY
PHILOSOPHY

A new series on management, employee, and customer relations begins on page 48.

FEATURES

Aftermarket Retailing And Service: Changing Into The 1990s 49

An *Automotive Marketing* special report on how the retail and service sectors of the aftermarket have changed over the past 20 years, and how they will change into the future.

DEPARTMENTS

Detailing The Market 5
Editorial 12
The *Automotive Marketing* Index 14
Market Line 16
Employees & The Human Factor 48
Products 59
Reader Service Card 61
Rep Guide 63
Ad Index 66

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PUBLISHER'S NOTES

PEERING AHEAD

One major responsibility of business journalism is the analysis of the future. Taking on this challenge can make a magazine look very wise . . . or very unwise when that future becomes the present.

None the less, *Automotive Marketing's* top-notch editorial staff has stepped up to the challenge and put together a thought-provoking section on tomorrow's automotive parts retailing and distribution. In it, we discuss four parts and service sales channels: retail chains, traditional service, department/discount stores, and repair specialists. We've included lists of current major players. You'll find our piece interesting, and worth your reading.

In this issue, we introduce a new feature in our popular Detailing The Market section. Industry pundit Stuart Landow of American Independent Marketing Inc. has tackled our assignment to discuss controversial topics. His first – the up-front cost of merchandising support felt by aftermarket suppliers.

In Market Line, we look at the wax and polish market in the final story in our series on aftermarket commodities. *AM's* Index charts aftermarket stock vs. the general stock market.

We work hard to provide you with useful information.

Let us know how well we're doing! ■

Sarah Frankson
Publisher

DETAILING THE MARKET

IN-STORE FOCUS

AID AUTO STORES INC.
475 Doughty Blvd., POB 1100,
Inwood, NY 11696
(516) 371-4330
Stores: 82
Total Chain Sales: $15,000,000 (est.)
Average SKUs: 15,000
Founded: 1957
Region Covered: New York, New Jersey

AUTO
STORES

There's a waiting list of potential franchisees at AID Auto Stores, which saw impressive growth in 1987 and has equally impressive plans for 1988.

Based in the New York metropolitan area, the chain expanded its New York stores by nine last year, and then spread out into New Jersey, where it opened 11 stores. New England is next, according to president Philip L. Stephen, who acquired AID in 1985.

"We're exploring various possibilities for New England," Stephen said. He's working with a proven game plan: "In order to be effective in your advertising, you have to have a cluster of stores." Attacking one state at a time, Stephen and his team plan to build a cluster in New England.

AID stores don't just happen. Each individual outlet is opened based on a careful—and highly successful—formula. Here's how it works:

When the time comes for a new AID store, Stephen and his five-man team of merchandising and retailing executives work together to pick the most effective location. This is done in two ways.

"First, we might pick a location that we feel is excellent (or come across it). Then we research it thoroughly, checking the competitive situation, including possible conflict with another AID store. Then, our consideration is to find a franchisee. We might offer it to an existing franchisee, or, if we don't have one, we will put a new franchisee in. We always have constant communication with people who are interested in becoming franchisees," Stephen said.

The second way an AID store opens is if a franchisee signs a contract and asks AID to find a location. If a franchisee already has a location in mind, the AID team will honor it, provided the demographics are right. Company executives conduct the demographic research themselves rather than hiring an outside firm; "We have enough expertise," Stephen explained.

Very few AID outlets are built from scratch. Most are rented, either in strip malls or in other existing locations.

Once a location is picked, Stephen said, "Our people design the store, working with contractors on any construction work that has to be done. We do the design and layout, and order the fixtures, carpeting, lighting and so forth. Our people lay out the merchandise and put the products on the shelves and pegboard."

During this period, the franchisee receives intensive training, first at corporate headquarters, and then more training in an existing AID outlet.

He works at all jobs, learning how to run the store, how to sell, how to open and close the store, and so forth. He gets constant support before opening day, and close supervision until he's "up and running."

From that time on, the franchisee is visited by a store coordinator. This individual is the liaison between corporate headquarters and the franchise outlet. He visits on a fixed weekly schedule, and acts as a problem solver and advisor.

What does this close supervision do to a franchisee's autonomy? Very little, according to Stephen. "The franchisee is in business for himself, but not by himself," he explained. "We don't have any authority over the way he runs his business, except to maintain an AID Auto store up to our standards. But he does have a tremendous amount of assistance and expertise from our organization."

AID corporate headquarters constantly refines the product lines, adding and updating as needed. Each store is supplied with the "AID black book," which Stephen contends is "probably the most extensive in the industry."

The book contains the entire AID inventory, over 22,000 SKUs, by section, part number, packing number, description and price. The store manager simply goes down his pad and lists quantity. Stephen said that stores get 90% of their orders within 24 hours.

Not all stores are on computerized ordering systems at this time. That decision is up to the individual store owner, although headquarters does encourage the investment.

This attention to store needs is the reason behind the success of AID Auto, Stephen said. "The easiest thing I ever had to sell in my life is an AID franchise," he said. "It's good, solid and profitable."

DETAIL

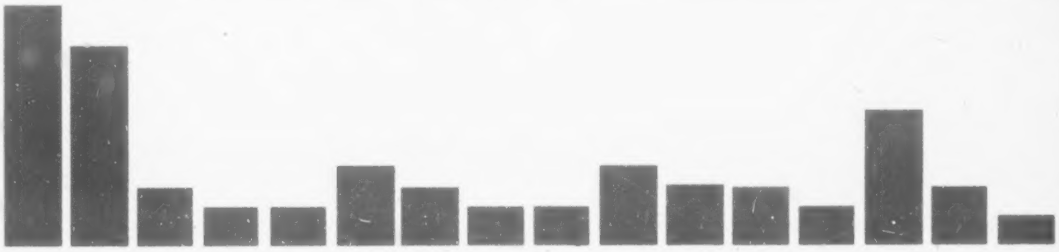
36%

of the average jobber's sales are to retail customers, up from 32% in 1982—the largest increase of any segment of the jobber market, according to the Automotive Information Council.

PROFILE: DIYers WHO SHOP FOR AUTO SUPPLIES FREQUENTLY

Drawing from the 1987 *Automotive Marketing Consumer Automotive Repair Study*, we look at DIYers who shopped between 11 and 15 times over the previous year for automotive parts, accessories, and supplies.

			Age					Income				Hours Per Month Spent On DIY			
Total	Male	Female	-25	25-34	35-44	45-54	55 +	-$20K	$20-30K	$30-40K	+ 40K	-1 Hrs	1-5 Hrs	6-10 Hrs	11 + Hrs
100.0% 9.2%	83.3%	16.7%	13.3%	15.8%	32.5%	24.2%	12.5%	14.2%	32.5%	25.0%	17.5%		14.2%	57.5%	18.3%



THE AUTOMOTIVE MARKETING INDEX

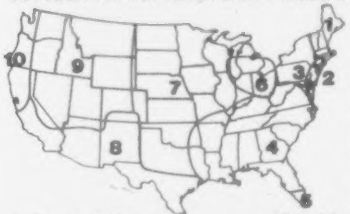
THE 1987 *AUTOMOTIVE MARKETING* MARKETBASKET

To determine the price movement, *Automotive Marketing* created a "marketbasket" of the best prices available for nine popular aftermarket products. We determine the best available price of each item in each marketing area each month to come up with an average marketbasket index. The products include a non-resistor spark plug; an oil filter; a can of 10W30 motor oil; a can of paste wax; an AM/FM/Cassette radio; a gas-charged shock absorber; a gallon of antifreeze/coolant; a pair of windshield wiper refills; and a 40-month-warranty battery. These products are usually on sale somewhere within each marketing area, which we define by their unique geographic, meteorological, and consumer characteristics.

OCTOBER 1987 NATIONAL AVERAGE MARKETBASKET PRICES

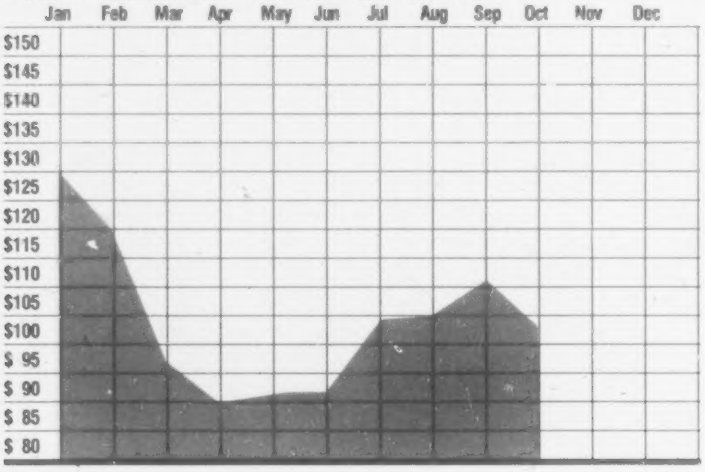
A non-resistor spark plug:	$ .77	A gas-charged shock:	$ 14.51
An oil filter:	2.14	One gallon of antifreeze:	3.45
A can of 10W30 oil:	.76	One pair of wiper refills:	2.84
A can of paste wax:	3.82	A 40-month battery:	33.29
An AM/FM/Cassette:	41.58	**Total:**	$103.16

OCTOBER AM MARKETBASKET PRICES BY MARKETING AREA



1. Greenbelt East:	$102.44
2. Megapolis East:	83.78
3. Smokestack East:	$107.19
4. Old South:	109.52
5. Caribbean South:	103.19
6. Smokestack Central:	95.84
7. Grainbelt Central:	101.14
8. Spanish West:	107.50
9. Desert West:	121.10
10. Greenbelt West:	100.10

NATIONAL AVERAGE MONTHLY 1987 AFTERMARKET BASKET PRICES



AFTERMARKET BUSINESS INDICATORS

	Unit/Base	Mo/Qr	Current Period	Prior Period	Year Ago, Same Period	Low (61-87)	High (61-87)
Consumer Confidence	(85 = 100)	Sept	114.8	110.7	89.7	–	–
Prime Rate	%	Oct 22	9.00	9.25	7.50	–	–
Personal Income	Billion $	June	3,731.0	3,717.18	3.528.1	Jan 61 403.8	June 87 3.731.0

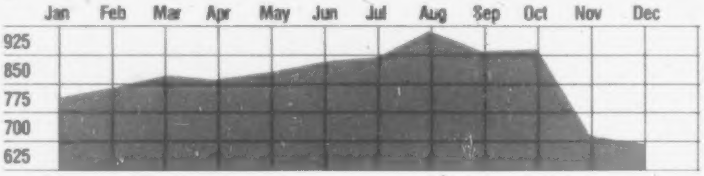
1987 AFTERMARKET STOCK PRICES

The figures below are the high and low prices offered and paid for various aftermarket-related common stocks in various exchanges for the 52 week period prior to December 9.

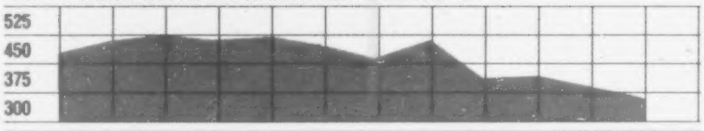
	Exchange	52-week High	52-week Low	12/9 Quote	P-E Ratio
Armor All	OTC	27 1/4	10 3/8	13 3/4	15
AutoSpa	OTC	6 1/2	7/8	1	–
Champ Parts	OTC	12 3/8	4	4 7/8	16
Champ Spk Plg	NYSE	16 3/8	7 7/8	9 3/4	18
Crown Auto	OTC	4 3/8	3	3 1/4	–
Dana Corp.	NYSE	54 1/4	28 1/2	29	12
Durakon	OTC	14	7 1/2	8 1/4	9
Echlin	NYSE	25 3/8	10 3/4	12 3/4	14
Facet	NYSE	23 1/8	10 1/2	15	15
Genuine Parts	NYSE	44 3/8	27 1/4	34 5/8	20
Grand Auto	AMEX	25 1/4	8 3/8	9 1/8	68
Modine	OTC	22 3/4	11 3/4	15	10
Mr. Gasket	OTC	15	4 7/8	5 1/4	125
Prkr Hannfin	NYSE	49	24 1/2	35 3/4	18
Pennzoil	NYSE	95	38 1/2	74 7/8	57
Pep Boys	NYSE	18 7/8	9 1/2	13	21
Perry Drugs	NYSE	15 3/8	5 3/8	5 3/4	–
Quaker State	NYSE	31 3/4	12 7/8	15 3/8	14
Rite Aid	NYSE	46 1/4	28 1/2	34 15/16	16
Sealed Power	NYSE	39 5/8	21 3/4	28	10
Stan Mtr Prod	NYSE	25 3/8	11 1/8	13 1/8	10
Superior Ind	AMEX	19 3/8	9	10 3/4	7
TBC Corp.	OTC	13 3/4	3 3/4	8 7/8	9
TRW	NYSE	70	37	44 7/8	15
Tenneco	NYSE	62 1/2	36 1/8	41 5/8	–
Tracor	NYSE	33	16 3/4	31 1/2	21
Trak Auto	OTC	19	7	9	17
Triad Systems	OTC	15 1/8	7 1/2	9	13
Western Auto	OTC	17	5 3/4	6 1/2	16
Witco	NYSE	47 3/8	26 5/8	20 3/4	11

DOW JONES 65 COMPOSITE STOCKS

Dow Jones 65 composite stock and *AM's* 17 aftermarket stock price as of December 9.



AM 17 COMPOSITE AFTERMARKET STOCKS



PRODUCT OF THE MONTH: OIL OR GAS ADDITIVE

Drawing from the 1987 *Automotive Marketing Consumer Automotive Repair Study*, we look at the individuals who purchased and installed a gas or oil additive during a 12-month period.

			Age					Income				Hours Per Month Spent On DIY				Number Of Cars Responsible For		
Total	Male	Female	-25	25-34	35-44	45-54	55 +	-$20K	$20-30K	$30-40K	40K	-1 hr	1-5 Hrs	6-10 Hrs	11 + Hrs	1	2	3 or More
100.0%	63.5%	36.5%	14.8%	29.4%	23.9%	16.8%	14.6%	26.9%	20.9%	12.6%	25.5%	21.2%	54.4%	12.9%	9.3%	42.0%	34.9%	23.1%

MARKET LINE

MARKET ANALYSIS

Will Wax Market Wane In 1988? New Ads May Grow The Market

"There's not a lot to cheer about in the wax market," was the cheery reply of one supplier when we said we were doing a story on the market. "It's about a $170-$180 million market at retail, but sales are flat. The core users are still there, but we're not pulling in a lot of new users. And some light users are falling away."

Flat sales mean market growth of about 1% annually. At first glance, this may seem surprising, especially when you realize that only roughly half of all vehicle owners wax their vehicles each year. On the average, they buy about 1.9 cans a year. This means there's a potential market of half the vehicle owners in the U.S. available to expand the market.

But suppliers said several factors have hindered market growth in recent years. First, new clear-coat paints used by OE manufacturers keep the shiny new look longer with only a wash. In fact, traditional waxes that use abrasives to remove oxidation from paint may actually give poor results when applied to a clear-coat finish. However, wax suppliers are formulating new waxes without abrasives geared toward new paints.

Secondly, as one supplier put it, "There's a trend in society not to do things that take work. Yuppies don't wax their cars. They take them to car washes and put a spray wax on it. They don't care that the wax won't last. They have more important things to do with their time. And, the perception is that it takes time to do a good wax job." Also, with more working women, families are seeking "quality" time instead of DIY tasks.

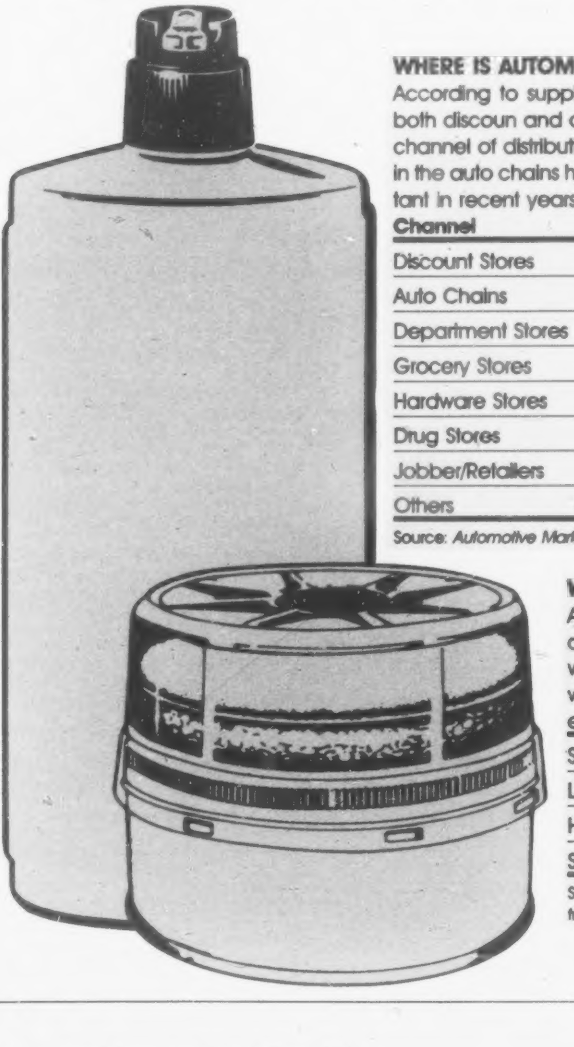
Finally, it's a fairly quiet category in terms of advertising. Turtle Wax, the largest supplier, is also the only major advertiser in the category. Total wax advertising was only about $3 million in 1986, down from close to an annual $11 million earlier in the 1980s when several companies were pushing new products like the polys and spray waxes.

"There's a proliferation of new products every year," one supplier said. "But rarely any ad support. Consumers see tons of items on the shelves, but they haven't heard anything about them. So consumers resort to buying products they recognize. Then, the trade press calls this a back to basics movement."

Another supplier noted that there're lots of little suppliers who can't afford big ads. And there are several companies that have other lines to promote and can't make a major commitment to wax ads.

Things may change in 1988, however. Armor-All Products, Irvine, CA, which introduced a wax line at the APAA show, plans to spend $5 million promoting wax this year. A competitor said, "1988 may be very interesting. We're hoping Armor-All's spending will grow the category. If they only steal market share, we're all pretty much shut out, and ad budgets will stay low. But if the category shows growth, then everyone will jump on the bandwagon."

The impact of Armor-All on the market will be the key event of 1988. Armor-All already dominates the $225 million protectant market to such an extent that for all intents and purpose it *is* the protectant market. Some competitors give them at least an 80% share, and others put it clos-



WHERE IS AUTOMOTIVE WAX SOLD?

According to suppliers, mass merchandisers (including both discoun and department stores) are still the major channel of distribution for wax. However, consolidations in the auto chains have made this channel more important in recent years.

Channel	Percentage Of Total Sales
Discount Stores	30-35%
Auto Chains	30-35%
Department Stores	10-15%
Grocery Stores	5-10%
Hardware Stores	5-10%
Drug Stores	3-5%
Jobber/Retailers	3-5%
Others	3-5%

Source: *Automotive Marketing* estimates from industry sources.

WHAT KIND OF WAX IS SOLD?

Although percentages vary by several points each year, the majority of wax buyers prefer soft paste waxes which average about 45% of all waxes sold.

Soft Pastes	45%
Liquid Waxes	35%
Hard Pastes	10%
Sprays	10%

Source: *Automotive Marketing* estimates from industry sources.

er to 90%.

The Armor-All name makes Armor-All a formidable entrant to the market. However, wax consumers tend to have strong brand loyalties and competitors wonder about the carry-over of brand loyalty from one category to another.

"I'm sure they've done their homework," one supplier said. "But whenever we do focus groups, consumers say we could market an Armor-All type product. But we've never had success. Still, if they just get consumers to buy one can, they'll get a good share of the market next year. The problem will come the second year with repeat business."

Such caution has strong roots in common sense. Through the 1980s, several new products hit the wax market with outstanding first time sales, but failed to win repeat business. Suppliers pointed to the initial impact of the polys, and "five years later," said one, "there's only Blue Poly left."

"Waxing a car is a subjective activity," one supplier said. "It takes a lot of work to wax a car right. And so consumers hate to be disappointed. They'll stay loyal to a brand that gives them good results." That's one reason why the two best selling SKUs are Turtle Wax Hard Shell and Borden's Rain Dance, both over ten years old.

Turtle Wax, Chicago, and Borden Inc., Columbus, OH, not only have the best selling wax SKUs, but their total lines account for about two-thirds of the total wax market.

Turtle Wax is the leader with about 40% of the market. Turtle has high brand recognition and a wide line. It has consistently been innovative with new products and merchandising support for the category. Distribution is so good that the main sales objective is getting more SKUs into chains rather than finding new chains to sell. Finally, although the company is looking for new markets, automotive waxes have been the company's major business since founder Ben Hirsch began brewing batches of wax in his bathtub.

Weaknesses? Perhaps. "If I knew any," said one competitor, "I'd attack them." Some competitors think the Turtle line may be too wide. "Over proliferation of product," one said. "The retailer has to carry nine, ten SKUs to get the benefit of the line. He's stuck with some slow movers. Plus, they're always adding new numbers. The consumer may look at the numbers and ask: what's wrong with Hard Shell?"

Borden seemingly has no such problems. Although the company has a complete line, Rain Dance dominates Borden sales. Selling at over $6, Rain Dance is also the dollar sales leader. Borden has about 20-25% of the market and strong brand recognition.

The results of one supplier's consumer focus group may be interesting. Turtle dominates West Coast sales, according to participants, because consumers feel they don't need a product named Rain Dance in an area where it seldom rains. Borden does much better in bad weather area such as the East and Midwest. Finally, as part of a larger company, Rain Dance does not get Borden's total advertising commitment, a large share of which goes to glues and spray paints.

Simoniz (First Brands, Danbury, CT) is currently number three with about 12-16% of the market. But in the 1950s, Simonize was the number one wax brand. Many older consumers remember when "simoniz" was a verb instead of just another wax brand. DIYers used to "simoniz" a car, not just than wax it. However, younger consumers do not have this perception of the brand.

Competitors said the brand suffered from undergoing a series of owners, several of which put no money into the brand, and adding too many new products that played down the Simoniz name. This may change as First Brands decides exactly how it wants to position the line.

The First Brands sales force has a "nice portfolio," according to competitors, with Prestone, STP, and Simoniz. In the long run, this should help the brand.

About a half dozen other brands compete for the remaining 20-25% of the market. Probably the largest of these is Kit Products, (Northern Labs) Manitowoc, WI, which has one of the better selling single SKUs in its Kit Wax. Blue Coral, Cleveland, has the benefits of Blue Poly, the first and remaining poly on retail shelves, but competitors said the company's efforts are devoted to its better selling lines of cleaners.

There are also Meguiar's, Newport Beach, CA, and Mothers Polish Co., Huntington Beach, CA. Mequiar's does very well selling to body and paint shops; its consumer line appeals to car buffs. Mother's sells mainly through performance shops. "They sell to the guy who's a zealot about waxing his car," a competitor said of both.

Wax suppliers are generally bracing for a continuing fight for shelf space in 1988, a fight made worse by the entrance of Armor-All. Projections for Armor-All sales run to about 10% of the market in 1988. And, the majority feel that the share will come from other suppliers rather than market growth.

Who will lose? Well, impulse sales are

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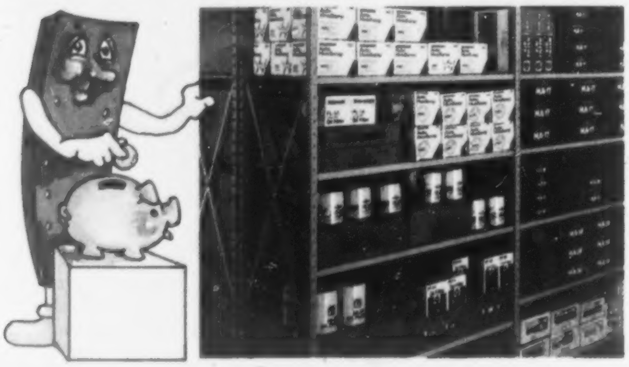

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MARKET LINE

crucial to selling wax. "Store placement is everything," one executive noted. The keys to impulse sales are endcaps and eye-level facings which go to companies with money to spend. There are also rebates to spark wax sales. More rebates also favor the larger companies.

"There's going to be a tough road ahead for the small guys in this market," one supplier summed up. "There always a desire to cut SKUs and now Armor-All's out with four new SKUs. They have enough marketing muscle to get at least two SKUs on the shelf. And how is the retailer going to eliminate SKUs to make room? He's going to eliminate from the bottom. The slowest movers are going to be on the block. But he's probably not going to eliminate slow movers from companies with a lot of merchandising support available. The small company that survives will be the guy who's most tightly niched. He's got to offer a real value to a particular customer. Gimmicks are gone. That's the key for the small guy." ■

MARKET LINE

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Demographic research has been part of the careful retailer's game plan for decades. But the latest advances in this field promise to provide, in the words of one market analyst: "the optimum retail planning tool."

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One of the grand-daddies of such research firms is New York-based Claritas. It has developed what it calls "geo-demographics" in a system called "Prizm."

Basically, Prizm divides Americans into 40 groups, arranged according to what it feels are six key factors: housing, "social rank," household composition, mobility, ethnicity, and degree of urbanization.

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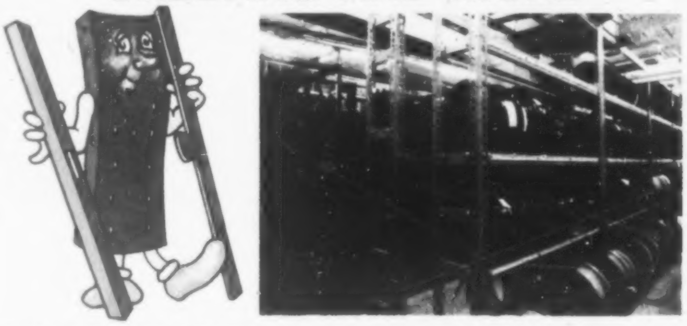

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AFTERMARKET RETAILING & SERVICE: CHANGING INTO THE 1990s

The aftermarket has changed drastically over the past 20 years. Here is a look at how we see it changing into the 1990s.

by **John Wirebach,** Senior News & Features Editor, **Gail Krueger-Nicholson,** Senior Editor, **Philip Katcher,** Research Editor and **Rosemarie Kitchin,** Editor

Today's aftermarket breaks down, very roughly, into one-third DIY and two-thirds service sales. Retail chains, mass merchandisers, and jobber/retailers compete for $30-$35 billion in DIY sales. Traditional repair facilities (garages, service stations), vehicle dealers, and repair specialists compete for the $60-$65 billion service market, with a small amount going to mass merchandisers and auto chain stores with service bays.

To assemble this special section on changes in customers and competition in the 1990s, we examined the retail and service markets and asked three questions about each:

- Who will be the customer?
- Who will be the competition?
- How will operations change to compete in the 1990s?

(To find out how the individual segments of these markets view the 1990s, read the pages following this report.)

Retail Customers In The 1990s

Just as he (and she) was in the 1970s, the DIYer will remain the key component of change in the 1990s. The question is whether or not DIY work will increase or decrease; whether or not more DIY customers will become service customers in the 1990s. There are strong arguments for both sides of the question.

Those who say the DIY market will decline point to the complexity of new vehicles and other issues like extended warranties. On the other hand, people like Bud Rose of Champion Auto, Minneapolis, say the DIY market is only pausing to assimilate changes in technology.

For years many people have said that DIY work will decline and yet DIY sales remain high. DIYers seem determined to work on their own vehicles no matter what the technological challenges.

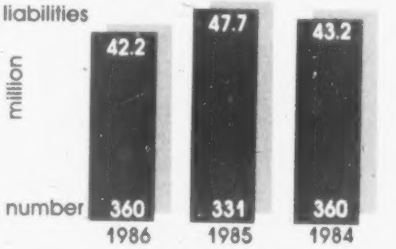
So it seem to us that retail sales will probably change the least in the 1990s. But the DIYers who shop those stores in the 1990s will be a little older (by the year 2000 one out of three drivers in the U.S. will be over 55) and a bit more well-heeled than the DIYers of today. The DIYers of the 1990s will also be more "technology sensitized," too, due to the growth of computer education and computer familiarity. But they may not be willing to carry those computer skills over to the world of under-the-hood work, at least not right away.

In fact, the biggest change in DIYers in the 1990s will not be so much in who they are but in the kinds of jobs they do. Those changes will force retailers to re-evaluate

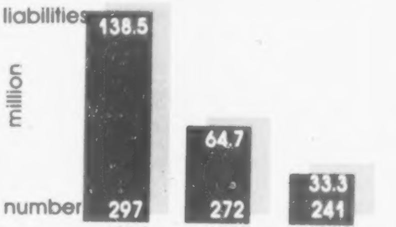
FAILURE RATES

The number of automotive wholesalers failing reached an all- time high in 1986 as 297 firms went out of business owing $138.5 million.

Automotive retailer failure rate:



Automotive wholesaler failure rate:



Source: Dun & Bradstreet

the products they sell and how they sell them.

In the 1990s, the DIY market may be limited to just minor, routine maintenance activities, according to a 1986 research project released by Dr. David E. Cole, director, Office for the Study of Automotive Transportation, University of Michigan, Ann Arbor, MI.

But the survey, a Delphi forecast based on the responses of 48 marketing executives from vehicle manufacturers and suppliers, also predicts an increase in importance for routine replacement items and fluids in the DIY segment, and for more DIY work with tires, wheels, brakes, and shocks. However, DIY work on traditional ignition systems, non-modular electronics, fuel injection systems, and all engine components will decline.

Retailers may have to switch their emphasis from hard parts to more chemicals and hang-on accessories. Today, many retail chains provide deep parts lines as well as extensive chemical and accessory lines to meet all possible DIY needs.

The Delphi study also gives electronics systems such as computer control modules positive predictions for future DIY activity, and at least one automaker agrees. General Motors sees more hand-held diagnostics systems being used by DIYers (and sold by retailers), prompted in part by a wide distribution of software programs for vehicle repairs. DIYers will also get more help from on-board diagnostic systems.

One aftermarket chain is already stocking—and selling—replacement computer chips as a performance product. The retailer finds that stocking the chips as performance parts rather than as electronic components overcomes DIYer reluctance about replacing them. The supplier has de-coded the GM computer program that receives signals from engine sensors to adjust various engine functions. The supplier claims the replacement chips allow engines to run cooler and deliver 15% greater power.

The retail market for such chips is a long-term one, especially as automakers strive to produce 100,000 mile cars. Retailers will carry more computer goods such as replacement chips while computer software stores will carry aftermarket how-to diagnostic programs.

Retail Competition In The 1990s

New competition for retailers in the 1990s will come through specialization. For instance, in Corona, CA, Captain Zooms, a chain of stores aimed at the light truck aftermarket, opened in 1987. The light truck market is expanding, and operations like this may prove to be serious competition for retailers. In the performance field, operations like California-based Super Shops already have 100 stores. Performance WDs like the trio of G & M, Capital Heights, MD; Arrow Speed Warehouse, Kansas City; and Competition Specialties, Auburn, WA; put together the Performance Corner, a short-line performance program for 800 jobbers. And, as import parts become more important, the import specialist jobber will continue to take a share of the DIY market. Finally, a number of dealership retail parts for DIYers programs, chiefly at Ford, Toyota, Nissan, and Hyundai, have sprung up in recent years. All of these competitors will have an impact on the retail market.

There is also the possibility of stronger automotive programs in discount/department stores. Full-line discount and department stores have one clear advantage in attracting customers: they offer a customer the chance to buy everything he needs in one place at one time. This is, and will be, an especially important retailing advantage in the future, as more and more consumers have less and less shopping time available.

However, mass merchandisers have had limited success in finding their role in the aftermarket. Their total amount of sales in the automotive field is large, but not as large as other products they sell. On the average, some 6% of discount stores sales, nationwide, are made in their automotive departments. By way of comparison, that's about half their percentage of sales from women's wear.

But, the chief competition to the retail chains for DIY sales will probably come from the traditional WD that owns stores. WDs are taking steps to reach the end-user customer, whether the customer is a DIYer or a dealer. Although WDs have encountered some operational problems, owned stores can be a profit center for the WD that can run them effectively. For example, The Genuine Parts company-owned stores (about 500 out of 6,000) account for about a quarter of Genuine Parts automotive sales. Other owned operations such as the O'Reilly stores (Ozark Automotive, Springfield, MO), Taylor Parts Stores (TPS, Andalusia, AL), and Parts City (Alexander-Seewald, Atlanta), to mention only a few, have had outstanding success in selling retail. WD-owned stores have the advantage of more SKUs for the DIY customer and more control over operations than running retail programs through independent jobbers offers. There are already some 3,000 WD-owned stores and this number will increase in the 1990s.

PROGRAMMED DISTRIBUTORS

The top ten programmed distribution groups are:

- All-Pro Auto Parts, Andalusia, AL
- APA, Mission, KS
- Auto Value, Chattanooga, TN
- Big A, Houston
- Bumper-To-Bumper, New York
- Carquest, Tarrytown, NY
- Federated Auto Parts, Staunton, VA
- NAPA, Atlanta
- National Pronto, Springfield, IL
- Parts Plus, Memphis, TN

WAREHOUSE DISTRIBUTORS

The top ten warehouse distributors are:

- A.I. Automotive, New York
- APS Inc., Houston
- Atlantic & Pacific Automotive, Memphis, TN
- Cardis Corp., Buena Park, CA
- Genuine Parts, Atlanta
- Motive Parts Whse., Fort Smith, AK
- Parts Inc., Memphis, TN
- Republic Automotive Parts, Brentwood, TN
- Steego, West Palm Beach, FL
- Straus Frank Co., San Antonio, TX

Retail Operations In The 1990s

No matter who the customers will be and no matter who the competitors will be, retail chains will simply have to operate smarter in order to survive into the 1990s. The days of month-to-month, Mom-and-Pop retailing are over. Consolidation and streamlined operations will be the keys to aftermarket retailing in the 1990s. Many retailers will be meeting the challenges of the 1990s with electronics.

Retailers who ignore electronics "may, in the long term, be losers," according to Bernard Codner, director, Institute of Retail Management, California State University at Los Angeles.

Beatrice Westcott, western regional sales director, SASI (Stores Automated Systems Inc.), Bensalem, PA, reminds retailers of the increased potential of advanced POS systems. According to Westcott, the first generation of POS was simply electronic cash registers. The second generation provided some other store applications, such as maintaining employee attendance records. Now, POS has entered its third generation, providing "fully integrated store management" by being linked with other computers to provide management with important operating information. Such systems solve the paradox of "The more we know, the more we want to know," she said.

POS today incorporates a leap in functionality, a "quantum" reduction in cost, and an expansion of operational possibilities, Westcott said. Many of these new systems take advantage of UPC, or bar codes, an area of increasing interest to aftermarket retailers, to improve check-out accuracy and speed. And many of the successful retail chains are taking advantage of these systems.

For instance, the giant Checker/Schuck's/Kragen chain is installing new POS computerized cash registers in all of its stores. The system boosts the chain's SKU tracking capacity from 12,000 to 30,000 with full catalog capability.

Electronics may also provide a partial answer to retail chains' concerns about the shortage of trainable, reliable store help. Thomas Rauh, president of Intermark, New York, said his company has designed a number of marketing minicomputers. These are installed in stores to provide specific, useful information on nearby products to customers. Their use can supplement trained sales personnel.

Retail Service In The 1990s

Just in case DIYers cease to DIY, retailers are also looking harder at the service market. Operations like Pep Boys, Philadelphia, already get as much as 40% of their sales through service, and chains like Chief, Dallas, and AutoZone (formerly Auto Shack), Memphis, TN, are testing service programs.

The reason is simple. Changes in lifestyle favor service operations. Not only is the typical American older, but he wants convenience. And, as more females own and maintain their own vehicles, the automotive field is more cognizant of the female customer.

Changing lifestyles favor the repair specialist who applies retail merchandising techniques to service work. Time-pressured consumers will take ten minutes for an economical oil change at a quick lube rather than drop off the vehicle for the day at a service station. Female customers are attracted by the clean shops with pleasant waiting rooms.

Service Competition In The 1990s

Just as the auto parts chain store changed the DIY market in the 1970s, the repair specialist is changing the service market in the 1980s, and will continue to have a major impact on the market. A good example is the exhaust business. In 1971, exhaust products were the number one line in traditional WD sales. By 1985, exhaust had slipped to number eight. The main reason was the growth of specialty muffler shops. Muffler specialists now have some 47% of the replacement muffler market compared with about 22% in 1975. Although other, newer specialists such as tune-up and quick lubes have much lower shares in their categories, their shares are also growing rapidly.

The success of Jiffy Lube, Baltimore, in building over 500 shops in less than ten years is a good example of the repair specialist. Jiffy has good signage, good locations in predictable neighborhoods, and a well presented story: reliable service, no appointment needed, customer friendly hours, and acceptable pricing.

In addition, the repair specialists apply the lessons of retail advertising to repair service. The three largest TV automotive advertisers last year were Midas Mufflers, AAMCO Transmissions, and Meineke Mufflers. Not far behind were MAACO, Precision Tune, and Jiffy Lube.

Repair specialists also benefit from specialization. Because they specialize in limited types of repair, training and SKUs needs are drastically reduced. However, this advantage will be reduced as the specialists branch out into second and third service categories.

Although several of the exhaust suppliers already own muffler shops, one completely new entrant to the repair specialist field in 1987 was Modine, which opened four radiator repair shops in auto malls. Whether this is a long-term trend or just a one-shot deal remains to be seen.

AFTERMARKET RETAILERS

The top 25 aftermarket retail chains are:

ADAP, Avon, MA
Advance Stores Co., Roanoke, VA
Aid Auto, Inwood, NY
Auto Zone (formerly Auto Shack), Memphis
Auto Works, Pontiac, MI
Champion Auto Stores, New Hope, MN
Checker/Schuck's/Kragen, Phoenix
Chief Auto Parts, Dallas
Crown Auto, Eden Prairie, MN
Discount Auto Parts Inc., Lakeland, FL
Grand Auto, Oakland, CA
Guarantee Auto, Indianapolis, IN
Hi-Gear Tire & Auto Supply, Capitol Heights, MD
Hi-Lo Consolidated, Houston
Nationwise Inc., Columbus, OH
O'Reilly Automotive (Ozark) Springfield, MO
Otasco, Tulsa, OK
Pettigrew-Smith Auto Supply, Houston
R & S Strauss, Union, NJ
Steego Auto Parts, West Palm Beach, FL
Super Shops, San Bernadino, CA
The Pep Boys, Philadelphia
Trak Auto, Landover, MD
Western Auto, Kansas City, MO
Whitlock Corp., Des Plaines, IL

Repair specialists should do very well in the 1990s, particularly as many of the specialists get into the auto malls springing up around the country. There are about 200 auto malls now, and developers predict as many as 2,000 by 1990. Most malls offer eight to 12 repair services in one location. To the average consumer, the auto mall is a complete automotive facility, offering one-stop service shopping. A customer who comes for a lube/oil change one day, will probably come back to use the muffler shop in the next bay.

The repair specialists are forcing some long-time discount/department store programs to change the way they do business. Zayre's, for example, which once operated 125 service centers, dropped service in July 1987. Zayre's cited intense competition, personnel problems, and the growth of service specialists as reasons. Zayre's closings followed similar moves by Target Stores, Gold Circle, and J.C. Penney. And, K mart, which continues to offer service in many of its locations, has killed off almost 400 unprofitable or marginal centers within recent years.

Indeed, some mass merchandisers have been considering different ways of offering service and have come up with schemes that closely resembles repair specialists. For example, Wal-Mart and Sears are both testing a quick lube. Zayre's converted a number of its old service centers to discount tire centers on an experimental basis. And Montgomery Ward announced in September 1987 that it would open "Auto Express" centers that do tire, battery and other installation work, with a 59-minute service guarantee. Several centers will feature USA Auto Appearance Centers (detailing shops) under the same roof as the Auto Expresses.

Not only are repair specialists changing the competitive situation, new vehicle dealers are showing renewed service strength. Although there's little direct evidence of this yet, the new extended warranties offered by automakers may give the dealerships all the work they can handle in the 1990s. Import dealers have always maintained a high market share, and domestic dealers are looking to profit from their example. Interestingly enough, auto mall developers see the strong possibility of OEMs or dealer groups setting up repair centers in auto malls. The increasing complexity of new vehicles will work to the dealer's advantage since new repair equipment will become an expensive proposition for service operations.

Add tire store service programs and revived oil company operations such as Sohio's Pro Care and Shell's Car Care to the impact of the repair specialists and the new vehicle dealer on the service market, and you see a strong challenge to the traditional repair shops. The response to the challenge by WDs will mean a change in the way WDs operate.

Changing Operations In The 1990s

WDs suffered most from the booming DIY market and the slumping repair market of the 1970s. To keep customers, WDs changed operations. Through buying and marketing groups (programmed distribution), the WD made its customer, the jobber, competitive in the retail market. In 1971, according to Motor Equipment Manufacturers Association (MEMA), jobbers did 9% of their total business with DIYers; by 1986, this percentage had risen to 36%. Nevertheless, many weak WDs and jobbers went under.

Although such horizontal consolidations will continue in the traditional market, vertical integration will probably become more important in the 1990s. Programmed distribution was the first step in vertical integration, tightening the bonds between WD and jobber. From two groups (NAPA and Big A) and perhaps 5,000 jobbers in 1970, programmed distribution grew to two dozen groups and 17,000 jobbers in 1986.

Although programmed distribution made most jobbers competitive in the retail market, the new challenges to their wholesaler customers will mean the bonds between jobber and WD will continue to tighten. Parts proliferation and advanced technology will require jobbers to align themselves closer to a WD. Best estimates say part numbers will increase about 15-20% in units and even more in dollars by the 1990s. And, as a WD told us, "Where are small jobbers going to get the money to put new numbers in? I'm talking 24,000 new numbers in the next few years. The investment is $25,000 in fuel injection alone. I'm talking about jobbers whose take-home profit at the end of the year isn't much more than that . . . Financial needs alone will make WDs get more involved in controls."

Add to this the cost of training for new technologies and jobbers are faced with serious challenges. According to the MEMA jobber study, a jobber store a day closed during the past five years. WDs simply cannot afford to let their customer base dissipate. The future traditional market will more closely resemble the retail market where programs are decided at the highest level. As Ham Sloan of General Parts, Raleigh, NC, put it in an interview, there's "no room for error in today's market."

WDs are dealing with the "new" service market in three ways. First, an emphasis on "master installer" plans that allow jobbers to discount parts to preferred customers. However, as WDs note, jobbers are weak on paperwork and have problems with the administrative tasks involved, and few jobbers are selective enough in choosing customers. More desirable are programs that push programmed distribution one step further to the dealer level. A good example of this is the NAPA Auto Care Program. The benefit to the dealer is a national advertising and warranty program, along with training clinics. The result is a program unified at WD, jobber, and dealer level.

Finally, many WDs are simply bypassing the jobber and selling direct to large repair customers. We expect to see much more of this in the 1990s. Programmed WDs had many problems convincing jobbers to be effective retailers in the 1980s; they don't want the same problem when dealing with a much more important (to them) wholesale market.

Moving Into The 1990s

Nothing is so uncertain in the future of the automotive aftermarket as the patterns of distribution. Any efforts at long range (by that, we mean past next year) prognostication of either players or strategies run the risk of looking very foolish in ten years. We may be completely wrong.

For example, imagine the reaction of any aftermarket player in 1968 if you were to tell him that in 1988 parts for imports would make up 25% of the aftermarket, that the Pep Boys retail chain would be a half-billion dollar operation, and that E.J. Korvette, then the nation's largest discounter, would be out of business.

Furthermore, imagine his reaction if you suggested that WDs would own about 10% of all jobber stores, that 100,000 service stations would go out of business, and that DIY sales would become almost a third of jobber business? He would say you're crazy; yet all that happened in the 1970s and 1980s.

And here come the 1990s. ■

DISCOUNT/DEPARTMENT CHAINS

The top ten discount/department chains are:

Ames Department Stores, Rocky Hill, CT
Associated Dry Goods, Norwalk, CT
Dayton-Hudson, Minneapolis
Hills Department Stores (SCOA Ind.), Canton, MA
K mart, Troy, MI
Montgomery Ward, Chicago
Sears Roebuck, Chicago
Stop & Shop, Braintree, MA
Wal-Mart, Bentonville, AR
Zayre Corp., Framingham, MA

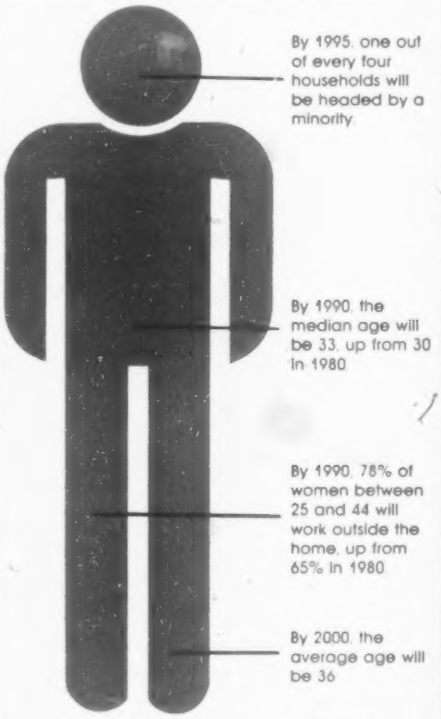
SERVICE SPECIALISTS

The top 15 service specialists are:

AAMCO, Bala Cynwd, PA
Grease Monkey, Denver, CO
Jiffy Lube, Baltimore
MAACO, King of Prussia, PA
Meineke Discount Muffler, Charlotte, NC
Midas, Chicago
Mr. Transmission, Nashville, TN
Novus, Minneapolis
Precision Tune Inc., Sterling, VA
Quaker State Minit Lube, St. Lake City
Speedy Muffler King, Morristown, NJ
Sunshine Polishing Systems, San Diego, CA
Tuff-Kote Dinol, Highland Park, MI
Tuneup Masters, Buena Park, CA
Ziebart Corp., Troy, MI

THE CONSUMER OF THE 1990s

The consumer is changing, and those changes will change the aftermarket. Ethnic groups and older people are the fastest growing groups in the country. By 1995, one out of every four households will be headed by a minority. By 1990, the median age will be 33, up from 30 in 1980. Also, in 1990 78% of the women between 25 and 44 will be working women, up from 65% in 1980. By 2000, the average age will reach 36. The lack of time is becoming one of the most important factors affecting businesses.


By 1995, one out of every four households will be headed by a minority.
By 1990, the median age will be 33, up from 30 in 1980
By 1990, 78% of women between 25 and 44 will work outside the home, up from 65% in 1980
By 2000, the average age will be 36

Source: The sales planning division of Procter & Gamble

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AFTERMARKET RETAILING & SERVICE:

TIRES - AUTO PARTS

AUTOMOTIVE RETAIL CHAINS

Retail chains are working harder and smarter to retain their share of aftermarket customers into the 1990s. The chains are doing so by meeting the needs of a more sophisticated DIY customer with up-to-the minute chemicals, accessories, and parts inventories including new, computer-based electronic items.

The retail chains are also moving to capture a share of the non-DIYer aftermarket consumers by expanding or adding service at their existing facilities, and, in some cases, by building their own "quick service" facilities.

The retail chains are also changing how they conduct their day-to-day business. The aftermarket leaders recognize that they are not just in the business of selling automotive parts, but are also in the business of running companies.

Retail chains are consolidating through mergers, acquisitions, and by streamlining their internal business staffs and procedures. And, just like the DIYers they serve, many retailers will meet the challenges of the 1990s with electronics.

But electronics alone are not the answer. Retailing in the 1990s will involve meeting people challenges: the shortage of "good" retail help is expected to continue, DIYers will need continuing education to keep up with changing technology, and the retail chains will have to provide it. One retail chain, Crown Auto, is ready to meet those challenges. ■

Crown Auto has been dragged, sometimes kicking and screaming, into the 1980s by the chain's president Floyd Adelman. The process has been hard on the Eden Prairie, MN, retailer, but it has been rewarding. Today, the 57-store chain, once a single store operated by Adelman's grandfather, does over $36 million in annual sales. Crown Auto is a family-run business that has turned itself into a professionally managed company, the kind of company that will be successful in the 1990s.

In 1984, when Adelman took over as president, the company had been through some tough years. Adelman made the shift from a month-to-month company to a long-range planned company. The mistakes of the past were not to be repeated.

Today, Adelman is looking the 1990s straight in the eye. The challenges he sees for his chain are some of the same challenges faced by all retailers.

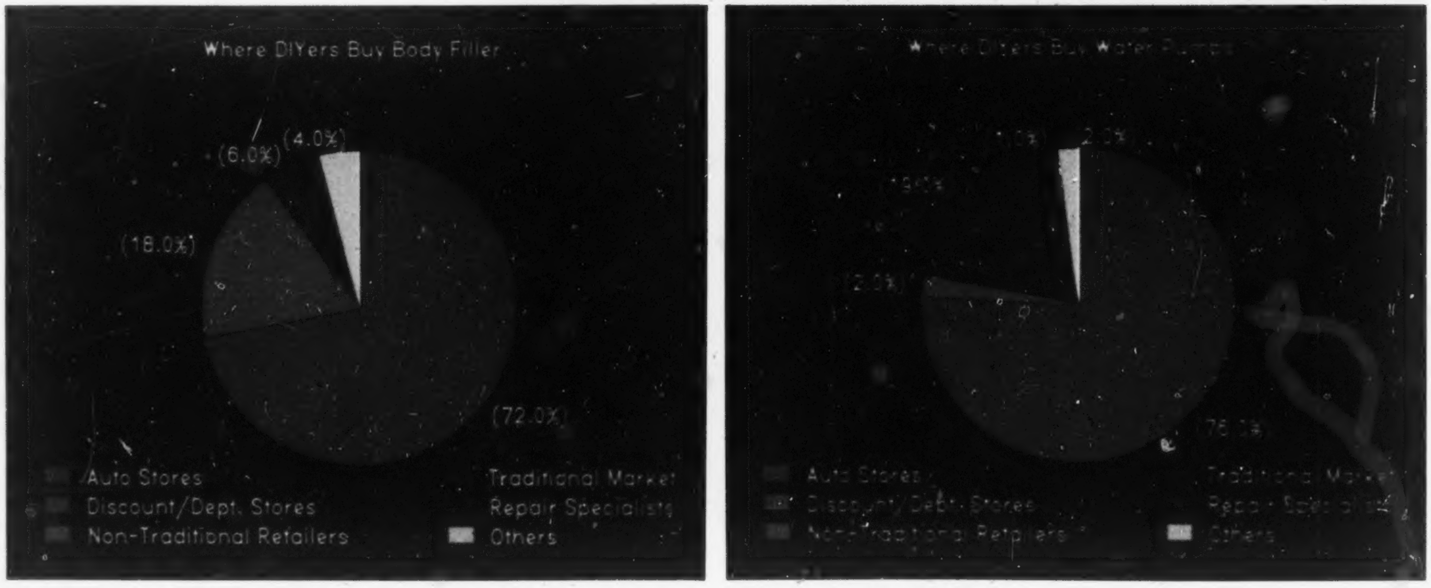
"First, we believe there will still be a DIYer. He is getting older because the population is getting older. And there will be more female DIYers, more self-directed females—not boyfriend or husband directed females. There will be a greater emphasis on service needs due to technology and two income homes. People will be spending money instead of time. We're set here, we have bays," Adelman said.

Adelman also spoke of another kind of service. "Customers will look for more value as opposed to price. They will want more customer service, more store employee knowledge, and we have to be ready to give it to them. In the 1990s, we will be selling knowledge as well as parts.

"We will have to train our employees to take DIYers into new areas. There was quite a learning curve when cars went from the drum to the disc brake and we helped DIYers to meet that—we can help the DIYers now and in the future too," Adelman said. Adelman established a formal employee training program shortly after he became president and sees training as an on-going company emphasis.

"The whole of customer service will center around what is the most difficult question for the future—how to get a needed part. Just doing that will be more difficult. The Japanese automakers buy 5,000 engines; when those run out, they switch engines. American manufacturers will do the same. The counterman of the future will have to be better trained to help the DIYer just find the right part before he puts it in."

Other things about retailing will change, too, according to Adelman. "There will be a shift of products to service. But the merchandise will still have to be on the shelves whether the DIYers install it or we install. There will be more chemicals, more accessories," he said. ■



Auto parts stores have their best share of market in the sales of body filler and water pumps among DIYers. Source: AM's 1987 CARS.

AFTERMARKET RETAILING & SERVICE:

DISCOUNT/ DEPARTMENT STORES

The discount and department store industry is in a state of flux. In 1961, there were 71 discount chains with sales over $10 million; today, only 16 of those chains are still in business. However, the industry is growing. In 1969, Dun & Bradstreet said that 5.8% of all retail sales in the U.S. that year were at full-line discounters. Sales then were $18.4 billion. Full-line discounter sales in 1986 were $83.2 billion.

The total amount of automotive sales for discount and department stores is large, but not as large as for other products lines they sell. On the average, some 6% of discount stores sales, nationwide, are made in their automotive departments. By way of comparison, women's wear sections produce an average of 12% of total sales.

Still, most discount and department store experts expect their automotive parts and accessories sales to grow faster than the rest of the aftermarket through 1990. They point to the fact that the sale of automotive products has grown almost 1,180% between 1963 and 1986. Those experts believe that by the year 2010 their percentage of sales of automotive products will be around 6.75%, almost a full percentage larger than today. And Montgomery Ward is one department store that is betting its future on the aftermarket. ■

Montgomery Ward, Chicago, owned by Mobil Oil, is one department store chain that has made a serious commitment to the automotive aftermarket. However, how it has done so has changed over the years.

As Bob Schoeberl, Ward's vice president of automotive, summed it up: "Montgomery Ward is moving toward being an automotive specialty store." This began in 1981 when the company reorganized itself as a collection of seven specialty stores, including automotive, under one roof.

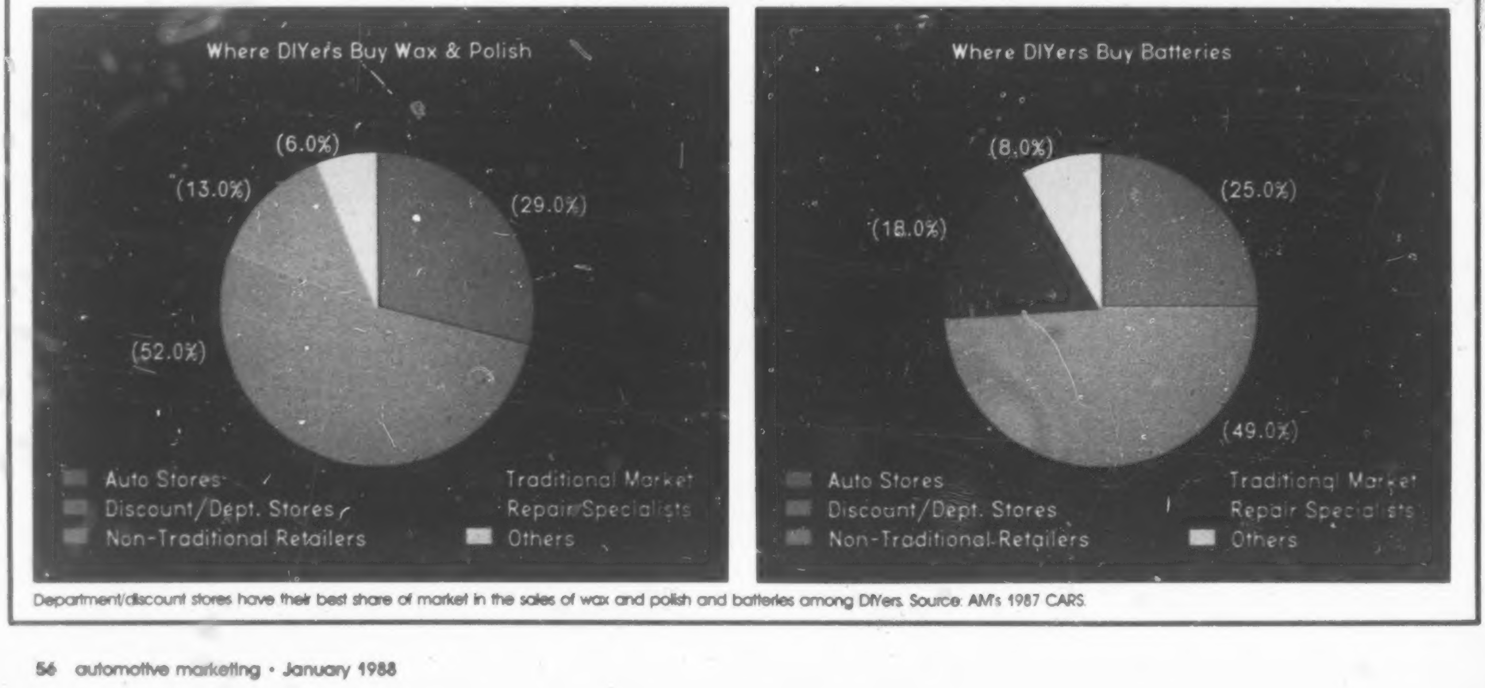
In automotive, that meant offering merchandise, Schoeberl said, to meet the needs of heavy, medium, and light DIYers so "we can address all market segments. The end result is more satisfied consumers and a higher profit margin," Schoeberl said.

Towards the end of 1984, Ward rehabbed about 100 of its automotive departments, expanding SKUs, on the average, to some 3,900 SKUs. That year Ward also published an automotive catalog, the *Auto Express Catalog*. It included 95,000 part numbers in four areas—high performance, import parts, domestic parts, and accessories. Private label tires, batteries, and accessories were shipped from Ward warehouses and other products were to be shipped direct from participating WDs around the country. The 800-numbers in the catalog connected the customer directly to the WD who answered the phone, "Montgomery Ward." Products were to be shipped within 24 hours. This program was dropped when Mobil bought Ward's.

In 1985, Ward remodeled its Annapolis, MD, location as a flagship store. It gave the automotive department a warehouse look by having wire-rack-style shelving both in the fully exposed stockroom (10 ft. high there) and on the floor (7 ft. high there). The department featured items such as cellular phones, a stereo center, and high performance Michelin and Bridgestone tires.

In Fall 1986, the company began installing a NAPA support program on an experimental basis. NAPA would supply brake, front end, and tune-up parts. The idea proved successful, and in Spring 1987 the company extended the program to all its stores.

Montgomery Ward announced in September 1987 that it would open "Auto Express" centers to do tire, battery and other installation work. Each guarantees 59-minute service; has three or four bays instead of the regular eight bays; is freestanding. They carry nationally branded tires and NAPA branded parts. The centers will feature several USA Auto Appearance Centers which will be under the same roof as the Auto Expresses. ■



Department/discount stores have their best share of market in the sales of wax and polish and batteries among DIYers. Source: AM's 1987 CARS.

AFTERMARKET RETAILING & SERVICE:

WDs/PROGRAMMED DISTRIBUTORS

Consolidation and integration will be the key words for the traditional side of the market in the 1990s.

A continuing number of mergers and acquisitions will lead to a consolidation of the market. Fewer but larger WDs. Fewer independent jobbers. Prime examples of consolidation are the A.I. Automotive purchase of almost 20 warehouses and the Cardis consolidation of half a dozen west coast operations.

But integration on every level will also become a factor. For one thing, more WDs will join marketing programs or at least some form of buying group.

However, the key change will be in programmed groups. Programmed distribution became popular chiefly as a method of making jobbers more competitive in selling to the DIY customer. As a result, jobber DIY sales went from about 9% in 1971 to 36% in 1985, according to MEMA surveys.

However, programmed distribution also tied the jobber closer to his programmed WD, which was a key reason many independent jobbers refused to join a program. The leading programs are now extending signage to the dealer level and offering benefits for those dealers that participate. The end result will be a much more controlled and efficient traditional distribution system. O'Reilly/Ozark is a good example of how an integrated WD operation will work in the 1990s. ■

O'Reilly/Ozark Automotive, Springfield, MO, owns 80 stores, serves about 100 independent jobbers and participates in the Auto Value buying and marketing group.

Sales at O'Reilly/Ozark are split almost evenly between wholesale and retail and President Dave O'Reilly thinks it will stay that way.

The O'Reilly stores compete against retail operations like AutoZone (formerly Auto Shack) and Western Auto by having more SKUs than the average retail store. And they compete against traditional jobbers by with having the price and the kind of aggressive merchandising techniques pioneered by the retail-oriented chains.

"I think our stores have grown because we have good people who can handle professional mechanics," O'Reilly said, "and yet we have the kind of store that invites the retail customer to shop there. It's clean, open, and inviting." O'Reilly advertising stresses its advantages: "Our prices bring you in, our people bring you back."

On competition, O'Reilly said, "You can't really get more new retail people in the market. We've had the onslaught, now I expect a shake-out," he said of the retail side.

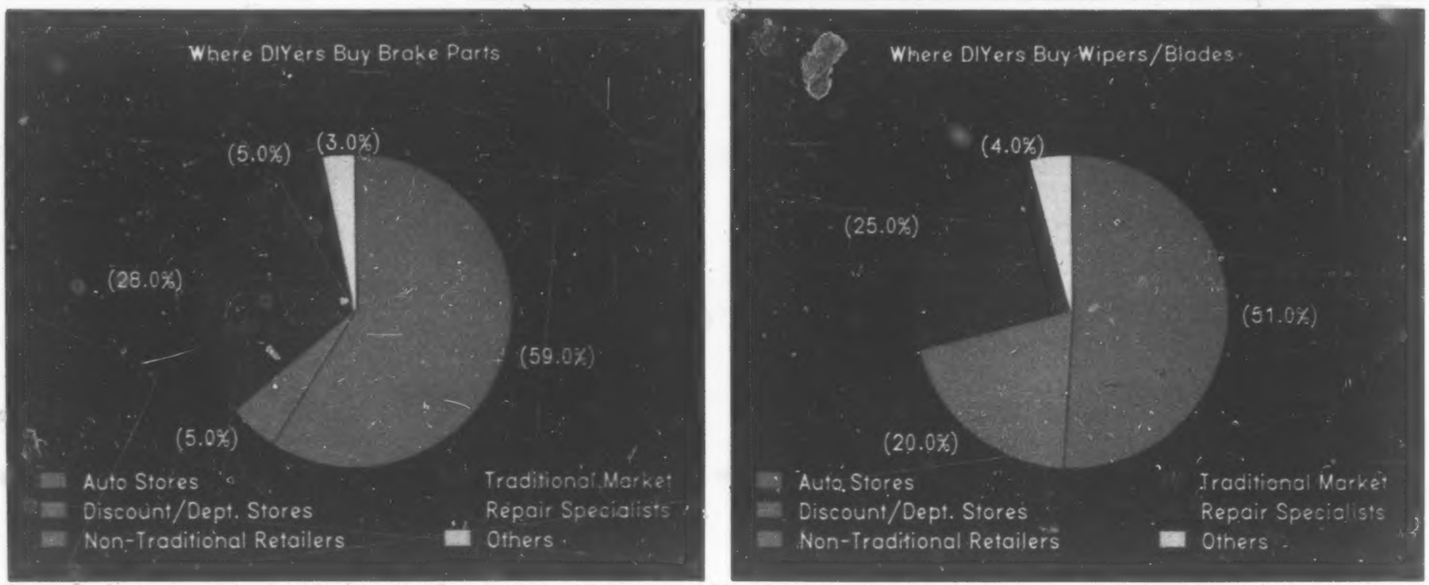
"On the professional side, I really don't know. You'll see some people coming in to two-step the market, I mean, WDs selling direct to installers. Specialty installers are going to continue on taking business away from traditional garages and stations.

"Independent jobbers are getting picked to death on both sides, professional and retail," O'Reilly noted. "The professional side's tough. The independent's going to have establish himself with an aggressive WD to survive."

To keep Ozark's independent jobber customers competitive, Ozark is developing a marketing program for Auto Value. "When we started with Auto Value, it was primarily for purchasing power and private labels. Group buying," O'Reilly said. "Marketing was secondary. But marketing's becoming more important as price parity becomes more common. I think price parity is really here. Now you differentiate your program by marketing."

O'Reilly sees considerably more consolidations in the aftermarket in the next five years or so.

"We're going to have to become better merchandisers and advertisers. We have to let the DIYer and the service dealer both know we have the expertise, the product, and the price for him. The same principles apply to both customers." ■



Traditional outlets (garages and service stations served by WDs and programed distributors), have their best share of market in the sales of brake parts, wipers and wiper blades among DIYers. Source: AM's 1987 CARS.

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...ffler King
50% OFF

SERVICE SPECIALISTS

The birth of automotive quick service is restoring consumer confidence in the service industry. Vehicle owners can stop at any quick lube location, choose any engine performance franchise, or drive to any exhaust/undercar facility and expect a certain level of price and performance. Often, it's guaranteed.

Given this development, along with the graying of America, the increasing complexity of vehicles, and the time pressures which constrain both two-income families and single consumers from doing it themselves, repair specialists are well on their way to an important share of market (SOM) in automotive repair.

Current industry figures claim exhaust specialists' SOM is nearly 50% and the quick oil change artists' SOM at between 4% and 6% of retail oil sales, and that last SOM percentage may double within the next three years. More than seven million tune-ups have been performed to date by the largest engine performance franchise operation.

Add to this the customer-convenient grouping of half-a-dozen repair specialists in each of the 200, possibly soon-to-be 2,000 auto malls springing up around the country, and the repair specialists, like Precision Tune, mean stiff competition for the automotive parts and service dollar. ■

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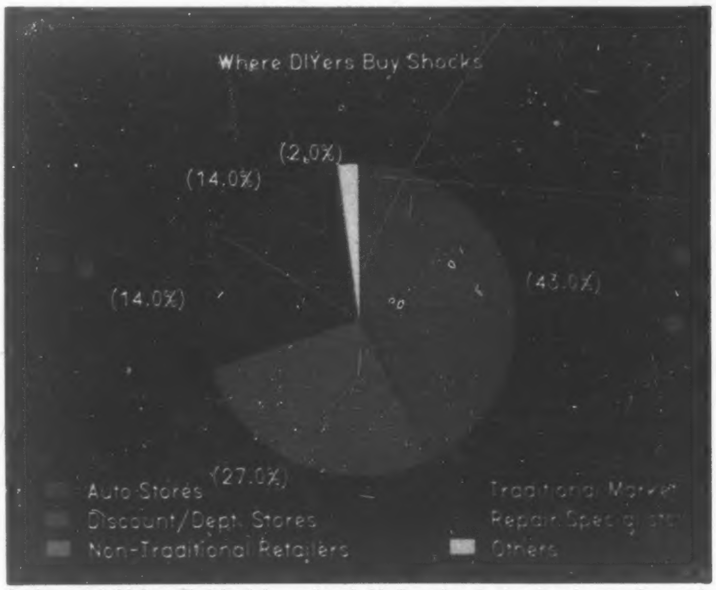

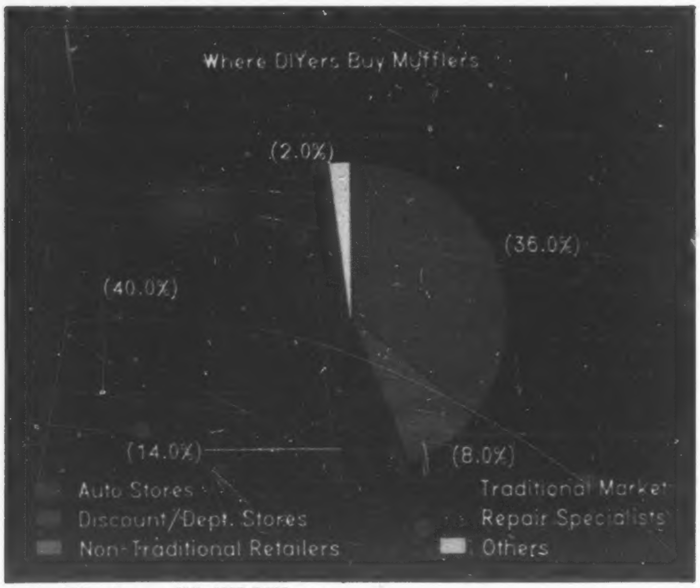

Service specialists have their best share of market in the sales of exhaust and suspension products among DIYers. Source: AM's 1987 CARS.

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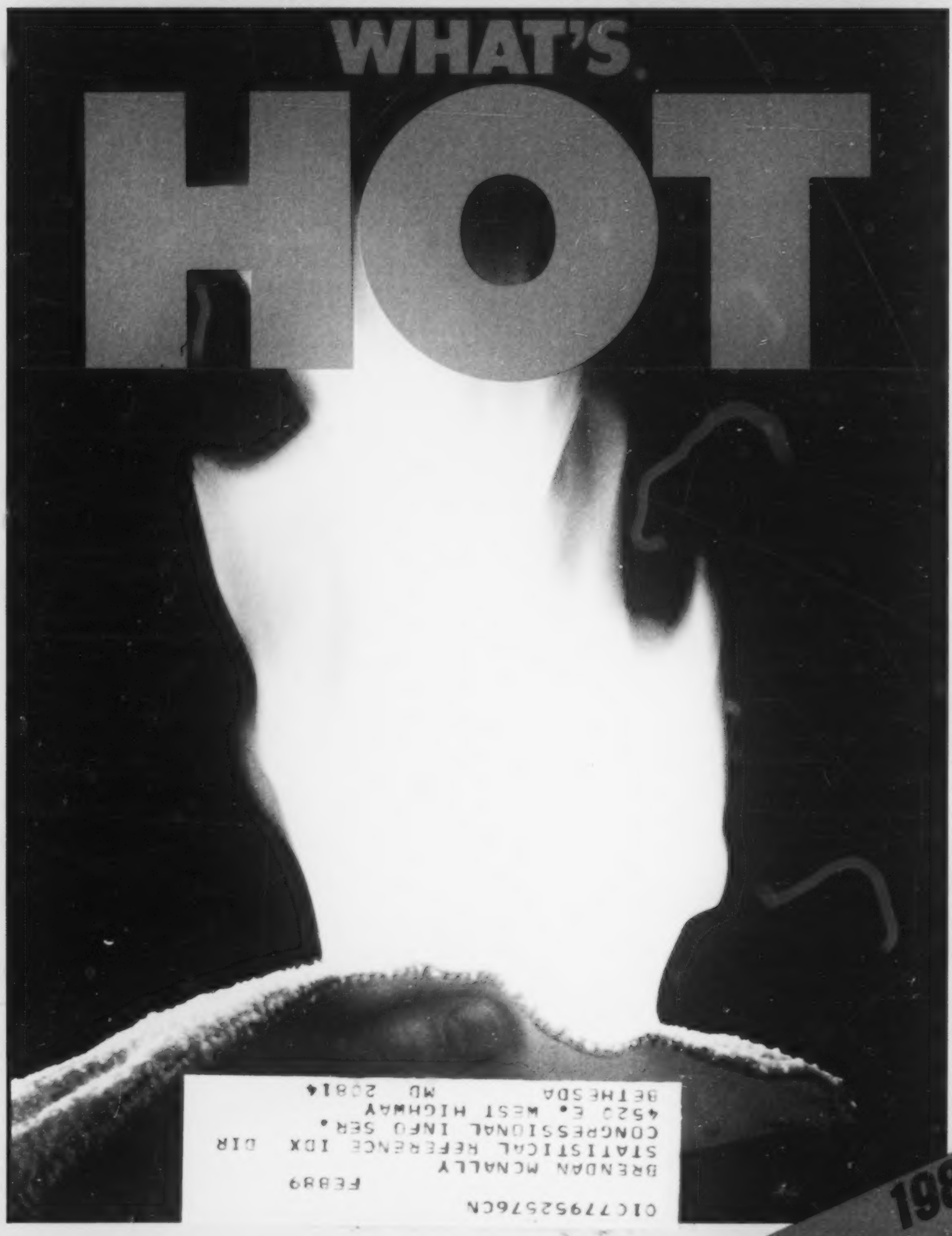
Chilton's

AUTOMOTIVE MARKETING

The Marketing/Business Magazine For The Retail Aftermarket FEBRUARY 1988



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The Spring/Summer Selling Season As The Retailers See It

Service Report:

Is It Time You Turned To Service?

Management 1988:

How Employee Turnover Works For And Against You

Market Line:

The Great Rebate Debate

1988 Spring/Summer Merchandise Ideabook

Chilton's

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FEATURES

What's Hot For Spring/Summer Selling: The 1988 Selling Guide 32
Enthusiasm is high for the 1988 Spring/Summer selling season. Light truck products and chemicals are hot.

Beating The Turnover Blues 39
There are immediate as well as indirect costs that make employee turnover much more than just a nuisance. Employee turnover costs money.

Should You Be In The Service Business? 41
Automotive service is an excellent business, but it is not the same as "just" selling parts.

DEPARTMENTS

Detailing The Market 5
Editorial 13
The *Automotive Marketing* Index 14
Market Line 16
Merchandise Ideabook M1
Employees & The Human Factor 45
Products 46
Reader Service Card 53
Rep Guide 55
Ad Index 58

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PUBLISHER'S NOTES

REASON TO SMILE

Smile when you say "trucks!" And, these days, think about the accessories sales possibilities with all those new light truck and minivan buyers! According to our survey of automotive parts retailers, these accessories are the best potential for Spring/Summer sales. As one *AM* reader put it, "My best sellers will be anything for trucks, trucks, trucks!"

Check out editor Rosemarie Kitchin's story for more details, and for news of other "hot" items for the coming selling season.

Suppliers have interesting suggestions for merchandising some of the hottest Spring/Summer products in our *Merchandise Ideabook*.

Should retailers go into the service business? For those who may be thinking about it, contributing editor David A. Evans points out the fact that service is indeed a business different from automotive parts retailing. His thought-provoking questions on the subject will help retailers consider, or reconsider, their current business.

To rebate or not? There's a strong feeling out there about those mail-in coupons. Our Market Line story analyzes the issue.

There's plenty more for your attention in this issue. Let us know how you enjoy it! ■

Sarah Frankson
Publisher

DETAILING THE MARKET

IN-STORE FOCUS

ACTION AUTO STORES, INC.
Headquarters: 2128 S. Dort Hwy., Flint, MI 48507
(313) 235-5600
Stores: 54
(includes one franchise)
Total Corp. Sales:
$85,000,000 (est.)
Average SKUs: 12,000
Founded: 1976

Action Auto
Brand
Self Serve
Self Serve
DISCOUNT PRICES
93⁹
93⁹

"We'd like to be the auto mall in the neighborhoods we serve," Dick Sabo, president of Action Auto Stores Inc., Flint, MI, said.

The neighborhood concept has been paramount in Action's rollout of stores during its 12 years in business. The chain works hard to select new business sites near existing stores, but it's careful not to let them be so close that they take business from each other.

Dick's brother Jim Sabo, the company's chairman, made the point that the Action operations have always been neighborhood auto malls.

The reason? Action Auto provides more than auto parts. In 51 of its 54 locations, customers can pump their own gas. in some of its locations, (soon to be all of the Action locations), consumers can have their vehicles serviced. In all of the locations, customers can buy parts and accessories for their cars, (and there's a wholesale telemarketing program from each location as well). And...

Action Auto customers at two locations can drive through a "touchless" car wash, new to the Action format. The car wash is an experiment aimed at developing additional revenue to level the company revenue curve from November to March when DIY parts sales plummet as Michigan winter temperatures make their annual descent.

Also in the works are plans to test discount warehouse-type auto parts stores which the Sabo brothers hope will attract the down-scale market, a prime market segment for DIYers in many Michigan communities served by Action.

A new warehouse, opened in mid-1987, took capacity from 25,000 sq. ft. to 131,000 sq. ft., enough to serve 150 Action Auto stores and facilities, almost triple the number now open. Under construction or on the drawing boards are another 11 stores.

Action stores are open seven days a week, and some locations do business around the clock. "We like people to know we're open whenever they need fuel, and want them to think of us as available when they need parts or service," Jim said.

The neighborhood concept was basic to the Sabo operation from the start, but consumer research confirms its validity. The Sabos know that 70% of their customers come from their homes to buy either fuel, parts, or service, and then go back home. That's why the locations near to home are so crucial.

That same research told Action's executives that people will travel further for service because "it's based on confidence in the business, while the fuel sales are based upon convenience, another reason for neighborhood locations."

Action likes to locate its stores in neighborhoods with 20,000 to 30,000 people within a three to five mile radius.

The three Sabo brothers (brother Bob runs the company's distribution side) kiddingly refer to themselves as the Pep Boys of the Midwest. They begin their work week on Monday mornings at 7 a.m., when the management team meets for several hours to review business from the previous week. "We're pretty hard on ourselves," Jim said, "but that meeting sets the tone for us and all the Action employees. It gets us focused on what needs to be done for the remainder of our week."

Last Spring, the Action brothers took their company public. The year before, they announced a franchise plan. So far the franchise opportunity is limited to the state of Michigan, and franchise location number two opens in suburban Detroit this spring.

"We are concerned about our ability to export our concept well," Jim said, "so we're developing the franchises selectively and slowly. We want to emphasize that while we work hard in selecting franchisees and sites, and provide extensive support during the startup, we're not artificially supporting our first franchise." That franchise more than met its initial sales target, topping projections by 25%.

DETAIL

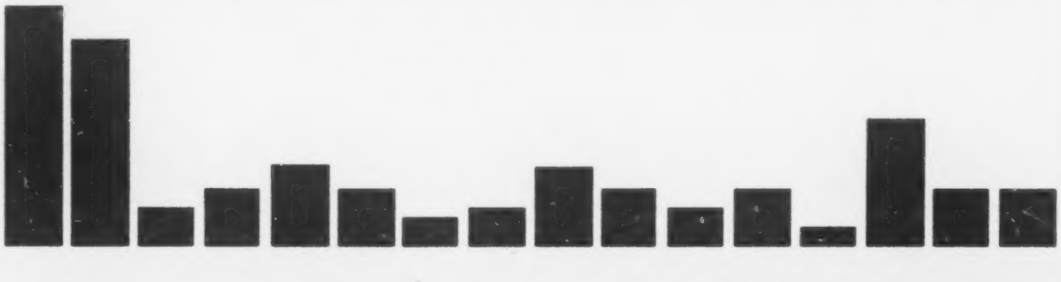
51%

of drivers in states with mandatory seatbelt laws wear seatbelts while driving, compared to only 27% of drivers who wear seatbelts in the other states, according to the U.S. Department of Transportation.

PROFILE: DIYers WHO REPAIR OTHER PEOPLES' CARS

Drawing from the 1987 *Automotive Marketing Consumer Automotive Repair Study*, we look at DIYers who said they were responsible for maintaining a car that didn't belong to them.

			Age					Income				Hours Per Month Spent On DIY			
Total	Male	Female	-25	25-34	35-44	45-54	55 +	-$20K	$20-30K	$30-40K	+ 40K	-1 Hrs	1-5 Hrs	6-10 Hrs	11 + Hrs
100.0%	85.7%	14.3%	21.0%	33.9%	22.8%	9.4%	13.4%	32.6%	21.4%	14.7%	16.5%	7.6%	52.7%	19.2%	18.8%



THE
AUTOMOTIVE MARKETING INDEX

THE 1987/88 *AUTOMOTIVE MARKETING* MARKETBASKET

To determine the price movement, *Automotive Marketing* created a "marketbasket" of the best prices available for nine popular aftermarket products. We determine the best available price of each item in each marketing area each month to come up with an average marketbasket index. The products include a non-resistor spark plug; an oil filter; a can of 10W30 motor oil; a can of paste wax; an AM/FM/Cassette radio; a gas-charged shock absorber; a gallon of antifreeze/coolant; a pair of windshield wiper refills; and a 40-month-warranty battery. These products are usually on sale somewhere within each marketing area, which we define by their unique geographic, meteorological, and consumer characteristics.

NOVEMBER 1987 NATIONAL AVERAGE MARKETBASKET PRICES

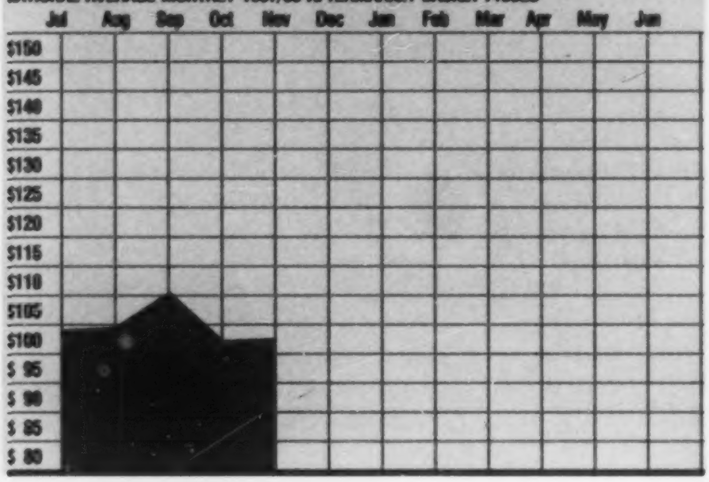
A non-resistor spark plug:	$ .72	A gas-charged shock:	$ 15.23
An oil filter:	2.02	One gallon of antifreeze:	3.15
A can of 10W30 oil:	.70	One pair of wiper refills:	2.03
A can of paste wax:	3.99	A 40-month battery:	28.71
An AM/FM/Cassette:	39.91	Total:	$ 96.49

NOVEMBER AM MARKETBASKET PRICES BY MARKETING AREA

10
9
7
8
6
3
2
1
4
5

1. Greenbelt East:	$ 98.94
2. Megapolis East:	112.68
3. Smokestack East:	$ 98.18
4. Old South:	84.83
5. Caribbean South:	104.90
6. Smokestack Central:	88.92
7. Grainbelt Central:	97.52
8. Spanish West:	78.62
9. Desert West:	95.94
10. Greenbelt West:	103.16

NATIONAL AVERAGE MONTHLY 1987/88 AFTERMARKET BASKET PRICES



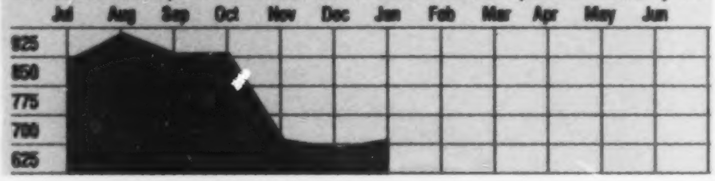
1988 AFTERMARKET STOCK PRICES

The figures below are the high and low prices offered and paid for various aftermarket-related common stocks in various exchanges for the 52 week period prior to January 13.

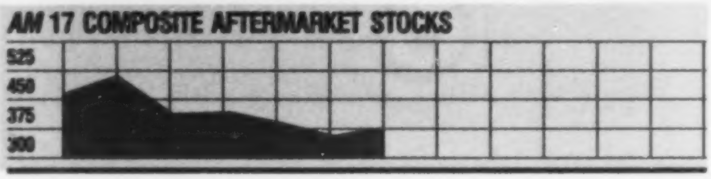
	Exchange	52-week High	52-week Low	1/13 Quote	P-E Ratio
Armor All	OTC	27 ¼	10 ¾	16 ½	19
AutoSpa	OTC	6 ½	⅞	1 ½	–
Champ Parts	OTC	12 ⅜	4	7 ⅛	24
Champ Spk Plg	NYSE	16 ⅜	7 ⅞	11	20
Crown Auto	OTC	4 ⅜	2 ⅞	3 ⅛	–
Dana Corp.	NYSE	54 ¼	27 ½	33 ¼	14
Durakon	OTC	14	7 ½	8 ⅞	10
Echlin	NYSE	25 ⅜	10 ¾	15 ½	10
Facet	NYSE	23 ⅛	10 ½	19	19
Genuine Parts	NYSE	44 ⅜	27 ¼	37	21
Grand Auto	AMEX	25 ¼	7 ⅜	14 ⅞	–
Modine	OTC	22 ¾	11 ¾	16 ¾	11
Mr. Gasket	OTC	7 ¾	5	6	300
Prkr Hannfin	NYSE	49	24 ½	34	18
Pennzoil	NYSE	95	38 ½	66 ¾	51
Pep Boys	NYSE	18 ⅞	9 ½	13 ⅜	22
Perry Drugs	NYSE	15 ⅜	5 ¼	5 ⅞	–
Quaker State	NYSE	31 ¾	12 ⅞	15 ¾	–
Rite Aid	NYSE	46 ¼	28 ½	32 ¾	16
Sealed Power	NYSE	39 ⅝	21 ¾	31 ½	11
Stan Mtr Prod	NYSE	25 ⅜	11 ⅛	14 ½	11
Superior Ind	AMEX	19 ⅜	9	10 ¼	7
TBC Corp.	OTC	13 ¾	3 ¾	10	10
TRW	NYSE	70	37	47 ¼	15
Tenneco	NYSE	62 ½	36 ⅛	41 ⅞	–
Triad Systems	OTC	15 ⅛	7 ½	9	13
Western Auto	OTC	17	5 ¾	7	18
Wickes	OTC	21 ½	7 ¼	9 ¾	–
Witco	NYSE	47 ⅜	26 ⅝	32 ⅝	11
Wynns	NYSE	30 ⅜	14 ½	16 ⅝	13

DOW JONES 65 COMPOSITE STOCKS

Dow Jones 65 composite stock and *AM's* 17 aftermarket stock price as of January 13.



AM 17 COMPOSITE AFTERMARKET STOCKS



AFTERMARKET BUSINESS INDICATORS

	Unit/Base	Mo/Qr	Current Period	Prior Period	Year Ago, Same Period	Low (84-87)	High (84-87)
Consumer Confidence	(85 = 100)	Nov	96.3	117.0	89.6	–	–
Prime Rate	%	Nov 30	8.75	8.75	7.50	–	–
Personal Income	Billion $	1987	3,737	3,534	3,534	1984 3.109	1987 3,373

PRODUCT OF THE MONTH: SPRAY PAINT

Drawing from the 1987 *Automotive Marketing Consumer Automotive Repair Study*, we look at the individuals who purchased and installed spray paint during a 12-month period.

			Age					Income				Hours Per Month Spent On DIY				Number Of Cars Responsible For		
Total	Male	Female	-25	25-34	35-44	45-54	55+	-$20K	$20-30K	$30-40K	40K	-1 hr	1-5 Hrs	6-10 Hrs	11+ Hrs	1	2	3 or More
100.0%	72.7%	27.3%	26.1%	19.9%	19.9%	18.0%	16.8%	21.1%	18.0%	11.8%	27.3%	13.7%	57.8%	10.6%	16.8%	28.6%	36.6%	35.4%

MARKET LINE

Rebates: Sellers And Suppliers Ask How Much Is Enough?

The rebate is becoming the 500-pound gorilla of the aftermarket: nobody really wants one around, but they're pretty hard to get rid of once they're in the door.

We asked a dozen suppliers if they wanted to eliminate rebates. Every one of them said yes. Then we asked how many had plans to eliminate rebates in the next year. Not a one of them stepped forward.

Ending rebates will take existential courage. "Whoever is the first to stop may lose his place on the shelf," Bob Cassidy, executive vice president First Brands, Danbury, CT, said.

"The problem is with the retailer. Say I want to get out. So our salesmen go out on calls. The first thing buyers ask: Does it have a rebate? No rebate; you don't make the list. Retailers want the lowest price possible. They love rebates because, with a rebate, they can show the lowest price in the ads. Since everybody rebates, they cancel each other out. We're not reaching any new consumers. All we're doing is rewarding our own customers. I don't think this debate is even important to the consumer; it's only an issue between vendors and retailers," Cassidy said.

The question is: do rebates work? Retailers look to the consumer. "I make my buying decisions based on the consumer. I don't give a damn what retailers and manufacturers want. As long as the customer is motivated to buy, I want rebates," Floyd Adelman, president of Crown Auto, Eden Prairie, MN, said.

At Royal Auto, Colmar, PA, director of marketing Chuck Rigby said that, in at least one key category, rebates do have an impact. "Consumers are ad conscious. Customers still wait for ads. Oil is always on special somewhere. Customers wait for the ad and check the price point. The oil industry is rebate crazy. It's been that way for two years now. Where does it stop? I don't know. Maybe they'll just run out of steam. This year, we've seen a big increase in value of the rebates. Last year, about $3 a case was standard. A couple then tweaked it up to $5, and the product picked up. Where did the sales come from? Are they new customers or old customers? I know oil sales are up. But my weakest oil seller also has the weakest rebate. Maybe it's only a coincidence. But another supplier came in with a $6 rebate and we blew the stuff out the door. We bought it up, and it did the job. It was a high impact draw," Rigby said.

Most retailers feel rebates do their job. Rebates get customers in the door and exposed to higher margin products.

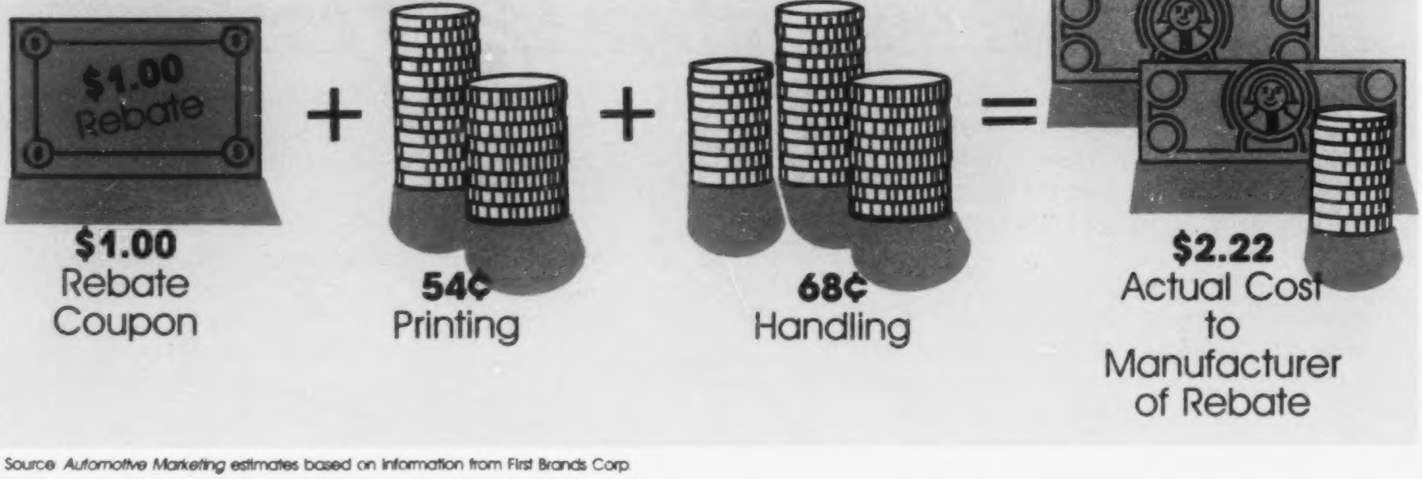
On the supplier side, although rebates have not been responsible for major market shifts, even a 1-2% gain in market share can mean the difference between a highly profitable year and a marginal year. In addition, some companies use rebates to buy their way into the market.

The original idea of rebating was to make the consumer switch brands. But now rebates are so common, consumers expect them. The rebate craze means that a supplier, no matter how large, simply cannot afford to stop.

As a major chemical supplier explained, "We ran a $2 rebate against our

THE REAL COST OF REBATES

The costs of rebates to manufacturers go far beyond the dollar value printed on refund coupons. The value of a $1 refund coupon is only 44% of a manufacturer's total costs. In addition, there is the cost of printing and paper, about 54-cents or 25% of a manufacturer's total costs; and the cost of handling to process returns, about 68-cents or 31% of a manufacturer's total costs. The total cost to a manufacturer of a $1 rebate coupon is about $2.22.



Source: *Automotive Marketing* estimates based on information from First Brands Corp.

competitor's $3 rebate. Plus, our regular price is higher to begin with. That puts us at a competitive disadvantage. You'd think we would have been killed. But, we weren't. But, we're pouring big money into the brand between advertising and redemptions. Sure, we'd like to stop rebating. They work, but they certainly work at a far less effective rate than they used to. At first, rebates worked like gangbusters. Now there're too many to be effective. Will we stop? It's not a failure of nerve. You have to remember the brand is a huge franchise. It pays a handsome premium. It's a very valuable piece of our portfolio. We just can't afford the risk of doing away with the rebate."

Andy Maurey, manager branded lubricants, at Kendall Refining Co., a division of Witco Chemical, Bradford, PA, stated the supplier's dilemma, "Everybody wishes they had an idea of how to do away with rebates. We've tried other things. But the bottom line is: the consumer likes money. If I could find a workable substitute, I'd be worth a lot of money to some company. It's costly for the manufacturer. But we can't find our way out."

Suppliers are concerned the rebate craze will force companies to up the ante, and rebates to spiral higher. And, the higher the rebate, the higher the redemption rate. As a supplier joked, "We'd like to see a 1% or less redemption rate." But, redemption rates run about 6-7%.

However, the cost of rebate promotions runs about twice the redemption value if fulfillment houses to handle the coupons, printing, and deliveries. And on-pack coupons lead to higher redemption rates since consumers don't have to hunt for coupons. But the on-pack coupons do lower retailer aggravation somewhat since there's less handling.

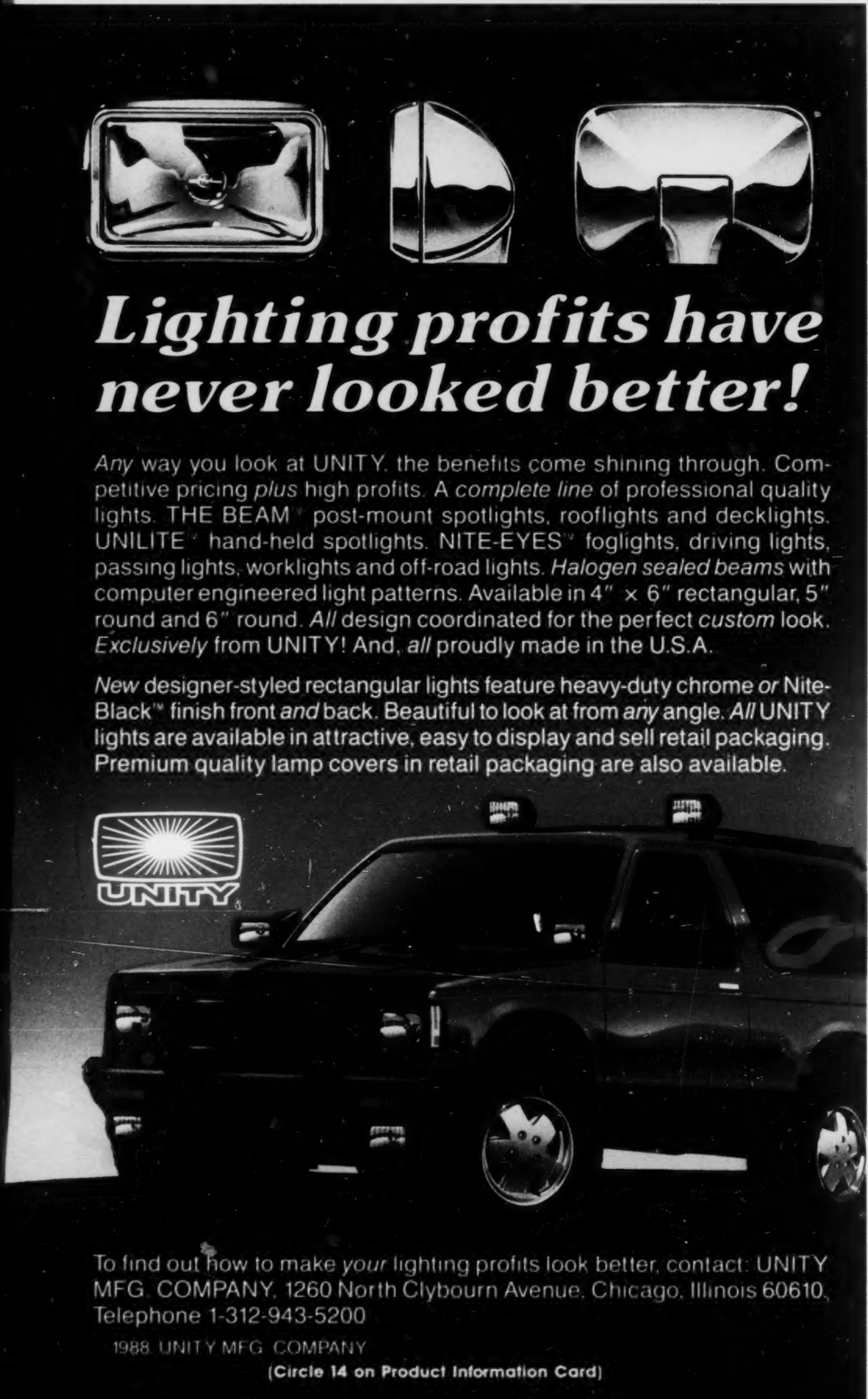
Retailers accuse suppliers of limiting the number of coupons to lower redemption rates. Suppliers say this is just not true. However, suppliers praise mass merchants who put up racks of rebate coupons. Why? Because the racks are often not near the product. "The customers have to know where the rack is, and "they have to paw around and find the right rebate. That lowers the return somewhat."

On the other hand, suppliers claim auto chain clerks push rebates on customers. "Hell, they come close to giving them stamped envelopes," one supplier said. "You take a 50-cent rebate on a $1.49 product. How many consumers are going to go to the trouble of putting a stamp on the proof of purchase? It's really not much of a turn-on for the customer; it's a turn-on for the buyer who can list the product at 99-cents in his ad."

A higher-than-average redemption rate can spell disaster as one chemical supplier found out. The rebate was $8 on a combination pack of goods. And, as the supplier woefully admitted, "The promotion had a higher than forecast redemption rate."

However, there were reasons. "We sold way more combination packs than forecast; more combinations than open stock. But we had very specific performance requirements – only one week. But some retailers ran the ad two or three times. Some ran it for a month. We were just astounded by the number of ads that did not comply. What could we do? We had to honor all the redemptions. You can't penalize consumers because the retailer doesn't comply. On the positive side, we got a heck of a lot of product out. We got some trials on other products in the line. But we have no plans to try it again."

For retailers, rebates are a pain. As Rigby said, "Consumers hate them. They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want the money right now. They don't want to have to mail it off. And, there're so many. We have to have rebate boards. Hell, you have to do something for the customer. Then, you run out of coupons. And, who takes the heat? The store, not the supplier."

Some mass merchants intend to get out of the rebate game. One chain's executive explained, "The bottom line is, it's too costly for us. Say we have an item on rebate and the rebate station up front is out. So we have to use a clerk to write-up a special form we've developed to satisfy the customer. You have to satisfy your customer. So there's money we've spent to develop a form, and the waste of a clerk's time. Probably close to half an hour. You multiply that by the number of stores and the number of times this happens and it costs us millions in lost work hours. Then too, we operate a rebate clearing house to collect all the coupons and make sure every store has coupons. We can't expect companies to drop-ship rebate coupons to all our stores. Then I get complaint letters on rebates and I have to answer them.

"The bottom line is, we've spent money to get rebating to work. We've done all this and it's still not working. And, in the end, who is the customer mad at? Us, not the supplier. We have to be more efficient. We need maximum productivity from our people. We want to satisfy our customers. But we don't need extra problems. We can be doing something else."

The executive said his chain doesn't expect rebates to "grind to a halt," but to slowly fade. For example, he expects rebates to remain in oil just because it's such a huge item. "The oil category is just too competitive. You can buy it almost anywhere. Say our daily price is 97-cents and the rebated price is 30-cents. We can't afford that price difference. We need the edge in that field.

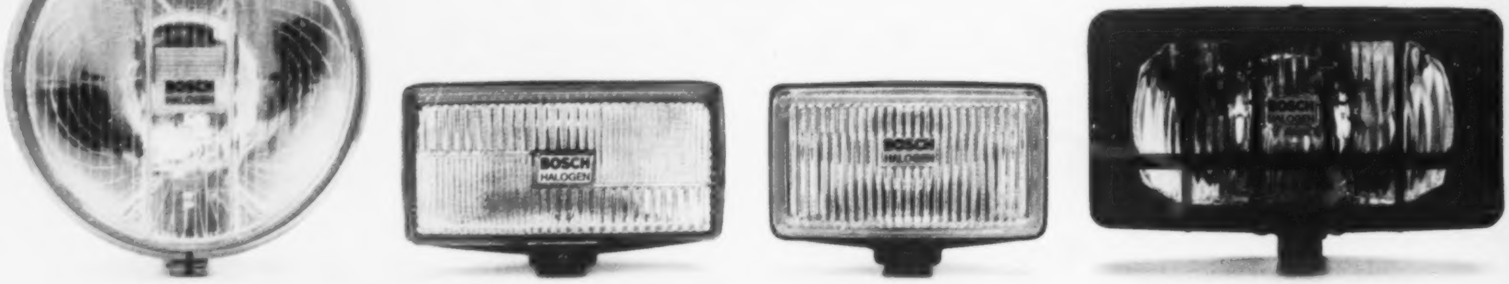
"But generally," he concluded, "we say, Mr. Manufacturer, give us a better price. You want a good promotion, offer the product to us for less so we can pass the savings on to our customers."

The mass merchants say they obviously can't force suppliers to end rebates, but they simply don't plan to advertise them. "The customer will just get a pleasant surprise when he comes in the stores. He can take advantage of it."

So what will suppliers do when some buyers look for the rebate to promote in an ad, and some buyers use the rebate but won't advertise it? One supplier simply said, "Damned if I know. I'll be dammed if I do, and damned if I don't."

Suppliers also said retailers can't expect to see all the money now used on rebates to come off the cost of goods if rebates end. One said, "Here's a headline: We're not doing anything for the consumer with our rebates. It's actually just a trade-vendor deal. If we stopped rebating, could we take the price off equal to the rebate cost? Sure, we'll return some of it to the bottom line. But not all of it. The trade would only give it away or pocket the money. A better use is to plow those funds into national advertising and research and development. We've all been tilling the farm and just adding a little fertilizer to it. We've been working the soil without adding anything to it. And one year, there's going to be a short crop."

In less metaphoric terms, First Brand's Cassidy said, "All consumers must be educated to consider purchasing products based on benefits and value rather than cost alone. How do we do this? The answer is to develop programs that focus on the quality of the product and give the consumer better value." ■



Customers React Very Positively

If you're looking for a name that outshines Bosch in the automotive aftermarket, you might as well turn out the lights and go home. Because there isn't one.

As one of the world's most respected automotive component manufacturers, Bosch has built an unmatched reputation by building only the best products. Which, of course, includes the line of halogen fog and driving lights shown here.

You see, whether your customers drive foreign or domestic vehicles, they'll appreciate the quality, ease of installation and ease of adjustment that

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its and owned real estate making it fly. Trak's trying to move into new markets and is giving away price to get exposure. Crown is implementing a major change in organization. Grand is just getting back on its feet. Western Auto is still paying off its corporate debt. And, you certainly can't compare the auto chains to Genuine. There's no question the aftermarket is over-stored and there's no question we all have to operate better. Then there's the graying population, more female shoppers, the question of price versus time. In the long run, maybe we all ought to start selling ice cream."

One executive at a mass merchandiser commented on Allessio's thoughts, "People like Perry Drug were accustomed to slim margins. They saw the gross margins available in automotive and got drunk on the anticipation of what they can do. You have to massage your mix regularly. The aftermarket is over-stored in auto chains. You drive down the street in most big cities and see three or four chains in a few blocks. There are some Ma & Pa stores scattered out there. And the mass merchants. It's a tough world out there. Some people have been running auto stores with a convenience store mentality."

A third executive said you can just rule out commodities as a profit-maker, so the chain has only three ways to make money. First, as many have, the chain can emphasize hard parts. But there's good competition from jobbers, less possibility of price cutting, and the need of closely managed inventories. Secondly, there are accessory sales, but the chain must compete here against the K marts, Wal-Marts and Targets of the world, with their volume buying. And third, there are service sales, which require entirely different management skills, and have tough competition from service operators.

"That's one reason Pep Boys does so well, they have the best of three worlds." He suspects other chains are going to have to do a bit of repositioning and decide which area or areas they want to compete in. And then do it.

It may sound simple to say the future belongs to the people who can out-perform the competition, that is the future. Allessio noted that "a rising tide lifts all boats, but when the tide goes out, you'd better be able to row to stay afloat." ■

OIL MARKET

Are Oil Sales Off? It's Too Soon To Tell

While motor oil is not the most profitable item in the auto store (we know one retailer who swears he made only $400 profit selling 200 truckloads one year), it is far and away the auto store's best draw. Case sale promotions, especially with rebates that drive the price down to 29- and 39-cents a quart with rebate, are always door-busters.

But, with the increasing number of oil changes done at quick lubes, we wondered how oil sales were doing in the stores.

Outside of proprietary figures from chains, the only hard numbers in the industry are provided by the National Petroleum Refiners Association, Washington, DC. The association annually reports total gallon sales.

Suppliers expect a continued flat market. The oil suppliers we spoke with (including every major retail oil supplier) predicted annual growth of only 1-2%, about 7-14 million gallons. Indeed, several suppliers expected less.

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Our dealer catalogs are updated every 6 months and are full of new product listings and info. The 6 videos we now offer are both informative and entertaining. Professionally produced, they're suited for in-store attention-getting as well as broadcasting on cable.

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RANCHO SUSPENSION.

(Circle 21 on Product Information Card)

One thing that may change the oil market, however, is the growth of the fast lubes. If so, the DIY share which now runs around 60-65% of the market may drop while installed sales increase. However, our latest *Consumer Automotive Repair Study (CARS)*, to be published next month, shows no indication of this. Some 75% of the DIYers surveyed purchased and installed oil in 1987. In previous years, the rate was as low as 72% and as high as 84%.

Are DIYers going to fast lubes? Chain store retailers say no. Most retailers told us they were not experiencing decreasing oil sales. Retailers and suppliers both noted that gallonage figures can be footballed around quite a bit because of the emphasis on case sales with rebates. A DIYer, driving a car with a small engine, who buys a single case can be out of the market for three oil changes. If there's a large rebate, and he buys two cases, he can be out of the market for almost two years.

OIL SALES

Here are the total gallons of oil sold at the supplier level for retail sales. Although the 1987 numbers will not be available until March, from these numbers we can see that motor oil sales have had at least two drops at the retail level in the 1980s.

1986	**665 Million Gallons**
1985	**610 Million Gallons**
1984	**654 Million Gallons**
1983	**610 Million Gallons**
1982	**554 Million Gallons**
1981	**536 Million Gallons**
1980	**549 Million Gallons**

Source: National Petroleum Refiners Association

However, the mass merchants account for almost half the DIY sales. We spoke with one who did believe gallonage was down slightly. "If so, there's no question, you can attribute it to the quick lubes. Baby boomers only do work out out of necessity, and women love the quick lubes. What other reasons can there be? Miles driven are up. There're hardly any 5-6 quart engines left on the road."

We asked the executive: if oil sales fall off, what will be the effect on retailers? "I don't think it will erode our customer count substantially," he said. "So, my effect is good. If, that is, we can offset the lost sales with other merchandise. It may even make oil less competitive, so we might even make money on oil again. At the volumes I can buy at, I'm not overly concerned about losing a few percentage points."

The effect of quick lubes on retail sales is a subject we'll continue to watch. ■

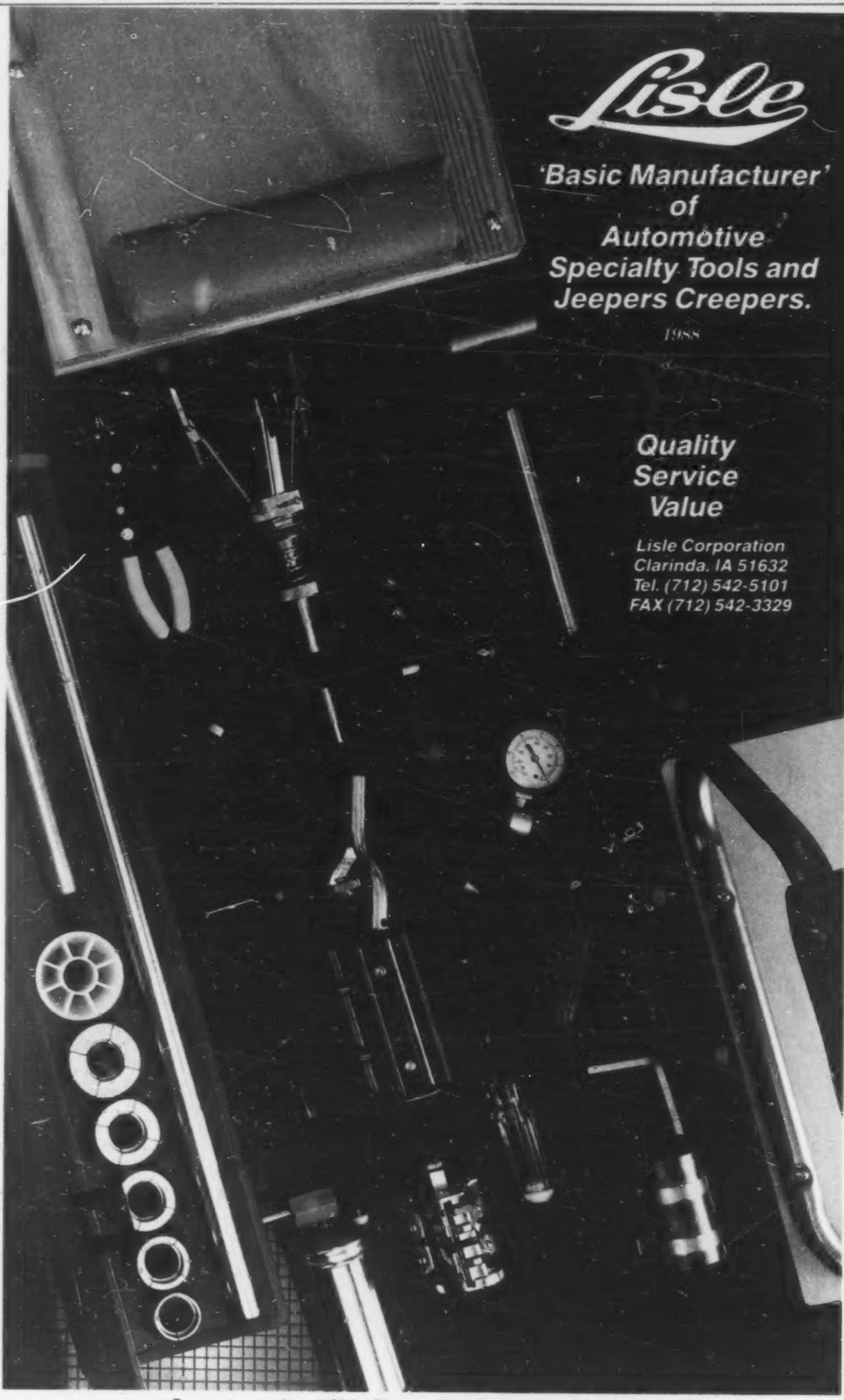
MANUFACTURERS

Tenneco Announces 6th Record Year

Despite competing in mature, declining markets with its two primary product lines, ride control and exhaust parts, Tenneco Automotive, Lincolnshire, IL, officials announced that the company enjoyed its sixth consecutive year of record sales and profits. The announcement came at its annual end-of-the-calendar-year press conference in Chicago.

Both Walker exhaust and Monroe ride control products increased market shares, said new Tenneco Automotive president and CEO J.P. (Jack) Reilly.

Reilly said Walker's increase came from catalytic convertor sales, a 3% growth in market share within the traditional distribution channel and a 2% boost within the retail channel.



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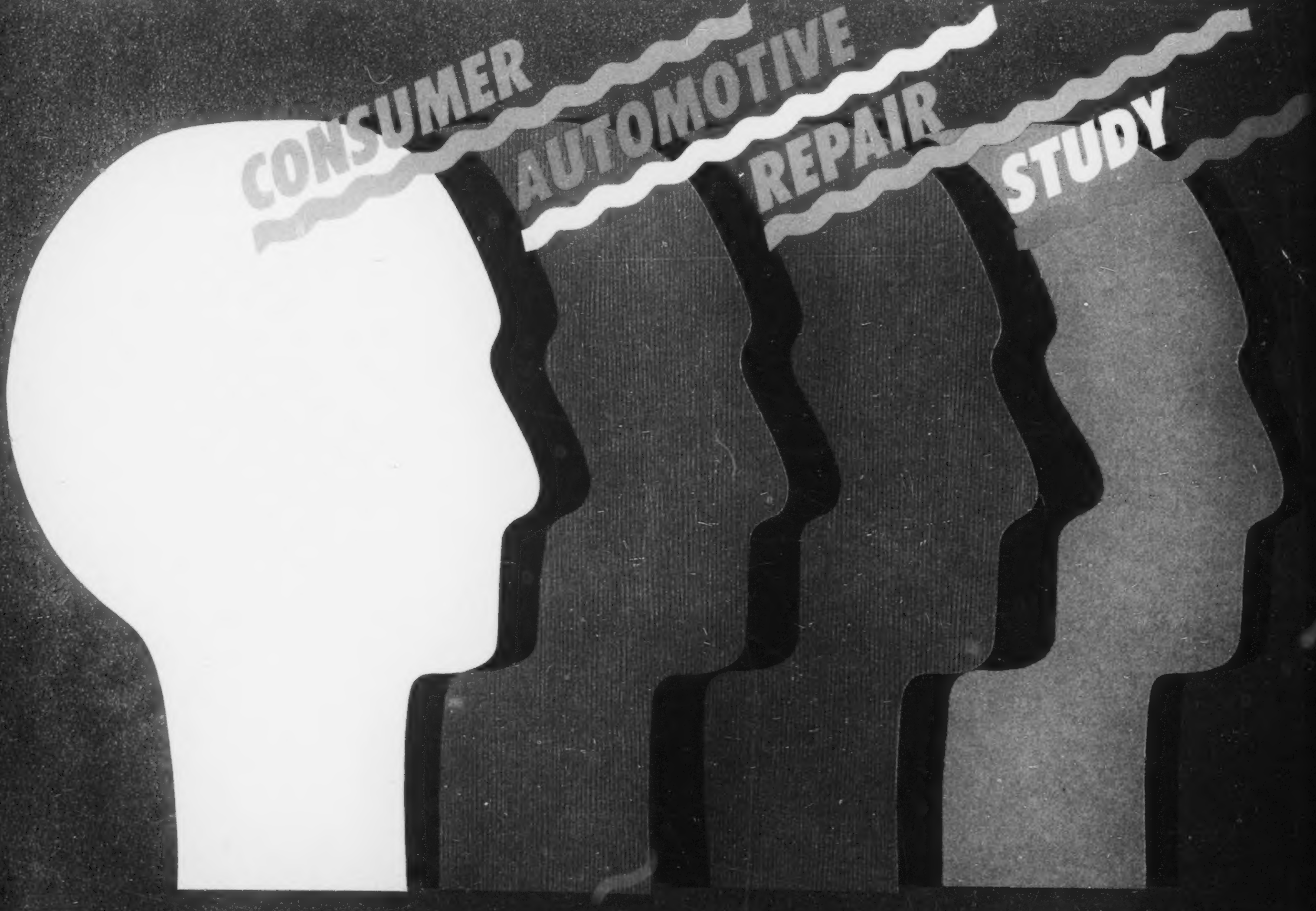
AUTOMOTIVE MARKETING

The Marketing/Business Magazine For The Retail Aftermarket

MARCH 1988


CONSUMER
AUTOMOTIVE
REPAIR
STUDY

1985
1988

What automotive
parts, chemicals, and accessories
do consumers purchase and install?
With few exceptions,
the market seems steady.

Chilton's
AUTOMOTIVE MARKETING

a Chilton publication

March Issue/Volume 17, Number 3

FEATURES

The 1988 Consumer Automotive Repair Study 32
A look at DIYers, what products they buy, where they buy them, and why they buy them where they do. This year, we compare 1988's DIYers to 1985's DIYers.

Tune-Up Products 36
Catalytic Converters 38
Ignition/Fuel Injections 40
Wipers/Wiper Blades 42
Body Filler 44
Paint 46
Oil 48
Oil Filters 50
Wax/Polish 54
Appearance Chemicals/Protectants 56
Cooling System Parts 58
Electronic Accessories 60
Car Sound 62
Shocks/Struts/Ride Control 64
Exhaust Products 66
Brakes 68
Lighting 70
Functional Fluids 72
Seat Covers 75
Batteries 76
Automotive Repair Books 78
Gas/Oil Additives 82
Antifreeze/Coolant 83
How Much Is Enough? 85
Is there enough potential service business in your market area to support another service business—your's?

DEPARTMENTS

Detailing The Market 5
Editorial 15
The *Automotive Marketing* Index 16
Market Line 18
Employees & The Human Factor 89
Products 90
Reader Service Card 101
Rep Guide 103
Ad Index 106

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PUBLISHER'S NOTES

WHO ARE THEY, ANYWAY?

Who are these do-it-yourselfers anyway?

What are their vital statistics? What do they buy, where do they buy it, and why do they buy it there?

You, as eager, sometimes anxious, participants in the retail aftermarket, have an intense need to know the answers to these questions, and others like them. At *Automotive Marketing,* we hired some of the nation's finest professional researchers—Chilton Research Services (CRS)—to find the answers. CRS constructed a sample base which is *nationally* projectable and *accurately* reflects the adult U.S. population.

This year, the researchers talked with 700 people who had bought, and had installed, the specific aftermarket products we queried about. The result is our fifth annual *Automotive Marketing Consumer Automotive Repair Study (CARS).*

We take a look at the DIY population and its habits, trends, and specific product data in this issue, and compare it with data from the 1985 study.

AM has a PC data bank of past *CARS* studies, including all consumer demographic data and product category purchases. Please see page 84 for details about its purchase. It's another innovative concept from *AM.*

Let us hear from you. ■

...rankson
...lisher

DETAILING THE MARKET

IN-STORE FOCUS

[illegible]
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816 [illegible]
Stores: 285 company owned
[illegible] associate stores
Total Chain Sales:
Average SKUs: 10,000
Founded: [illegible]

Discount Auto Parts
Western Auto

Western Auto, an 80-year-old auto parts and services business, is expanding its horizons with an ambitious new franchise program.

To the casual observer, a Western Auto franchise program might seem like nothing new. The firm already has 285 company owned stores, mainly in large metropolitan markets. In addition, there are 1,546 associate stores, located in small markets of less than 15,000 vehicles. Now the company is engaged in an ad and sales promotion blitz, designed to attract franchisees to its new turnkey program.

The goal, wholesale division president/CEO John Leach said, is to gain total market dominance. "We think there's a tremendous opportunity in medium-sized rural communities," he said. "There are 450 medium-sized markets east of the Rocky Mountains that we feel would be excellent areas for a Western Auto franchise. In fact, we've already tested a few stores ourselves in Sedalia, MO, Leavenworth, KS, and similar areas." The results are promising.

Outwardly, Leach said, there is little difference between a company store and the new franchises. "There's very little in terms of what the customer sees," he said. "But the real point of differentiation is that company stores are in areas larger than 50,000 vehicles. The stores are large as well; they range from 7,000-25,000 sq. ft."

The new stores will have three different designs, based on trade area vehicle population (Western Auto uses one of the national demographics services to determine vehicle population in various areas).

The largest stores will have 8,800 sq. ft. and four service bays. They're targeted at the largest market (vehicle population 40-50,000). The medium franchises will have 7,700 sq. ft. and three service bays (vehicle population 30-40,000). The smallest will have 6,200 sq. ft., and two service bays (25-30,000 vehicle population).

"We determine the size of the store based on market potential as determined by the number of vehicles," Leach said. The stores will be completely devoted to auto aftermarket sales and service. There was a time in the company's history when other SKUs were part of the product line, but that's been largely eliminated except for the associate stores.

"Our associate stores are located in small markets of less than 15,000 vehicles," Leach explained. "They do not have a large enough potential to emphasize solely auto. They continue to sell lawn and garden power equipment, bicycles and accessories, and in some cases major appliances and electronics."

The new franchises, will be promoted to potential owners with the theme, "America's No. 1 Auto Supply Franchise."

"This is a total turnkey operation," Leach said. "We want to make the stores easy to operate. It's not easy to manage service, auto parts, tires, some 8,000 or so sq. ft. of inventory with 10-12,000 SKUs, and a staff of maybe 15 people. You can get so consumed in day-to-day operations that you can lose control of the situation. We concentrate on *systems*."

These include a "very sophisticated inventory management system" which provides state-of-the-art inventory information via POS cash registers. These communicate profit, sales, and SKU information back to the home office on a daily basis. Through this information, the home office relays unit sales, profit margin and sales information back to the store. The system also tells the distribution center what to ship, and automatically adjusts SKU stocking levels to match individual SKU sales history. A retail management training program, a modelstock plan, and automated bookkeeping are included. All of this is designed, Leach said, "to allow the manager more time to sell, and to manage his people."

At press time, Western Auto had just unveiled its new franchise program and was pushing hard to attract interested businesspeople. It's too soon to issue a verdict on the program, but as the promotional material asserts, "Nobody does more to assure your success."

DETAIL

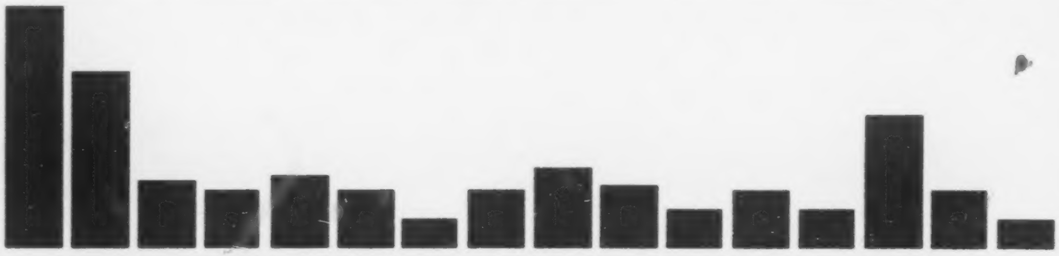
18%

of total sales of the average tire dealer is in service sales, according to the National Tire Dealers and Retreaders Association.

PROFILE: DIYers WHO OWN VANS

Drawing from the 1988 *Automotive Marketing Consumer Automotive Repair Study*, we look at DIYers who say they are more apprehensive about repairing a foreign car than a domestic one.

			Age					Income				Hours Per Month Spent On DIY			
Total	Male	Female	-25	25-34	35-44	45-54	55 +	-$20K	$20-30K	$30-40K	+40K	-1 Hrs	1-5 Hrs	6-10 Hrs	11 + Hrs
100.0%	72.5%	27.5%	19.2%	29.5%	17.7%	12.0%	21.0%	32.5%	26.3%	15.7%	17.8%	14.7%	55.0%	19.5%	9.2%



THE AUTOMOTIVE MARKETING INDEX

THE 1987/88 *AUTOMOTIVE MARKETING* MARKETBASKET

To determine the price movement, *Automotive Marketing* created a "marketbasket" of the best prices available for nine popular aftermarket products. We determine the best available price of each item in each marketing area each month to come up with an average marketbasket index. The products include a non-resistor spark plug; an oil filter; a can of 10W30 motor oil; a can of paste wax; an AM/FM/Cassette radio; a gas-charged shock absorber; a gallon of antifreeze/coolant; a pair of windshield wiper refills; and a 40-month-warranty battery. These products are usually on sale somewhere within each marketing area, which we define by their unique geographic, meteorological, and consumer characteristics.

DECEMBER 1987 NATIONAL AVERAGE MARKETBASKET PRICES

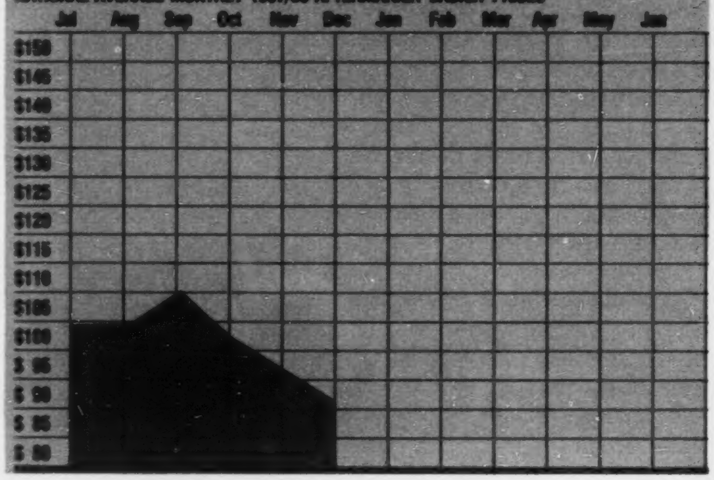
A non-resistor spark plug:	$ .78	A gas-charged shock:	$ 11.90
An oil filter:	2.03	One gallon of antifreeze:	3.17
A can of 10W30 oil:	.70	One pair of wiper refills:	2.76
A can of paste wax:	3.98	A 40-month battery:	29.01
An AM/FM/Cassette:	37.10	Total:	$ 91.53

DECEMBER AM MARKETBASKET PRICES BY MARKETING AREA

1
2
3
4
5
6
7
8
9
10

1. Greenbelt East:	$ 94.32
2. Megapolis East:	87.73
3. Smokestack East:	$ 92.56
4. Old South:	94.74
5. Caribbean South:	91.53
6. Smokestack Central:	93.11
7. Grainbelt Central:	86.07
8. Spanish West:	100.23
9. Desert West:	90.66
10. Greenbelt West:	94.40

NATIONAL AVERAGE MONTHLY 1987/88 AFTERMARKET BASKET PRICES



AFTERMARKET BUSINESS INDICATORS

	Unit/Base	Mo/Yr	Current Period	Prior Period	Year Ago, Same Period	Low (64-88)	High (64-88)
Consumer Price Index	(67 = 100)	Oct	345.3	344.4	330.5	May 61 89.3	Sept 87 344.4
Prime Rate	%	Jan 19	8.75	8.75	7.50	—	—
Personal Income	Billion $	Nov	3,893.7	3,850.8	3,577.5	Jan 61 403.8	Oct 87 3,850.8

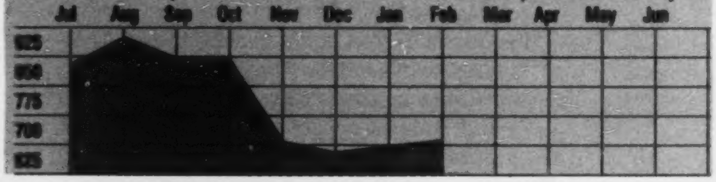
1988 AFTERMARKET STOCK PRICES

The figures below are the high and low prices offered and paid for various aftermarket-related common stocks in various exchanges for the 52 week period prior to February 11.

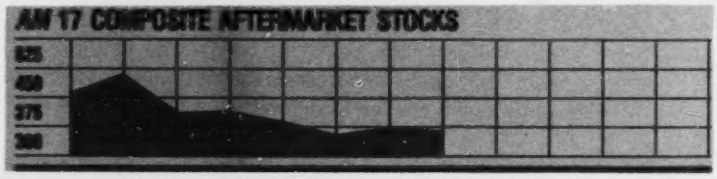
	Exchange	52-week High	52-week Low	2/11 Quote	P-E Ratio
Armor All	OTC	27 1/4	10 3/4	15 3/4	18
Autospa	OTC	6 1/2	7/8	1 1/2	—
Champ Parts	OTC	12 3/8	4	9 1/4	31
Champ Spk Plg	NYSE	16 3/8	7 7/8	11 1/2	23
Chevron	NYSE	64 5/8	32	45	15
Dana Corp.	NYSE	54 1/4	27 1/2	35 3/8	11
Durakon	OTC	14	7 1/2	10	11
Echlin	NYSE	25 3/8	10 3/4	15 1/2	17
Facet	NYSE	23 1/8	10 1/2	18 7/8	17
Genuine Parts	NYSE	44 3/8	27 1/4	37 3/8	21
Grand Auto	AMEX	25 1/4	7 3/8	14 1/4	—
Modine	OTC	22 3/4	11 3/4	15	10
Mr. Gasket	OTC	7 3/4	5	6 7/16	322
PACCAR	OTC	78 1/4	42 1/2	65 1/4	10
Prkr Hannifin	NYSE	49	24 1/2	34 3/4	17
Pennzoil	NYSE	95	38 1/2	66 3/8	96
Pep Boys	NYSE	18 7/8	9 1/2	12 5/8	20
Quaker State	NYSE	31 3/4	12 7/8	19 1/2	17
Rite Aid	NYSE	46 1/4	28 1/2	36 5/8	17
Sealed Power	NYSE	39 5/8	21 3/4	34 1/2	12
Stan Mtr Prod	NYSE	25 3/8	11 1/8	14 1/4	10
Superior Ind	AMEX	19 3/8	9	13 3/8	9
TBC Corp.	OTC	13 3/4	3 3/4	11 1/2	10
TRW	NYSE	70	37	47	12
Tenneco	NYSE	62 1/2	36 1/8	40 1/8	—
Trak Auto	OTC	19	7	9	15
Triad Systems	OTC	15 1/8	7 1/2	9 1/8	12
Western Auto	OTC	17	5 3/4	8 1/2	21
Witco	NYSE	47 3/8	26 5/8	33 1/2	12
Wynns	NYSE	30 3/8	14 1/2	18 7/8	40

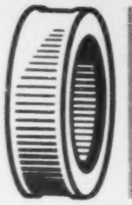
DOW JONES 65 COMPOSITE STOCKS

Dow Jones 65 composite stock and *AM's* 17 aftermarket stock price as of February 11.



AM 17 COMPOSITE AFTERMARKET STOCKS





PRODUCT OF THE MONTH: FILTERS

Drawing from the 1988 *Automotive Marketing Consumer Automotive Repair Study*, we look at the individuals who purchased and installed spray paint during a 12-month period.

			Age					Income				Hours Per Month Spent On DIY				Number Of Cars Responsible For		
Total	Male	Female	-25	25-34	35-44	45-54	55+	-$20K	$20-30K	$30-40K	40K+	-1 Hr	1-5 Hrs	6-10 Hrs	11+ Hrs	1	2	3 or More
100.0%	84.2%	15.8%	24.1%	27.3%	17.1%	14.7%	16.2%	23.9%	26.0%	16.8%	27.1%	12.4%	55.3%	18.1%	12.5%	32.0%	44.5%	22.9%

MARKET LINE

THE HARD PARTS MARKET

Exhaust Parts: Stainless Steel, Specialists, And Still Strong DIY

"If you want to make exhaust people nervous," Jim Gerber, product manager at AP Parts, Toledo, OH, said, "talk about stainless steel. Guys are scared to death that it means lifetime mufflers."

With some allowance for hype, Gerber was right on target: The growing use of stainless steel in exhaust systems by OE car makers is the hot topic among exhaust manufacturers.

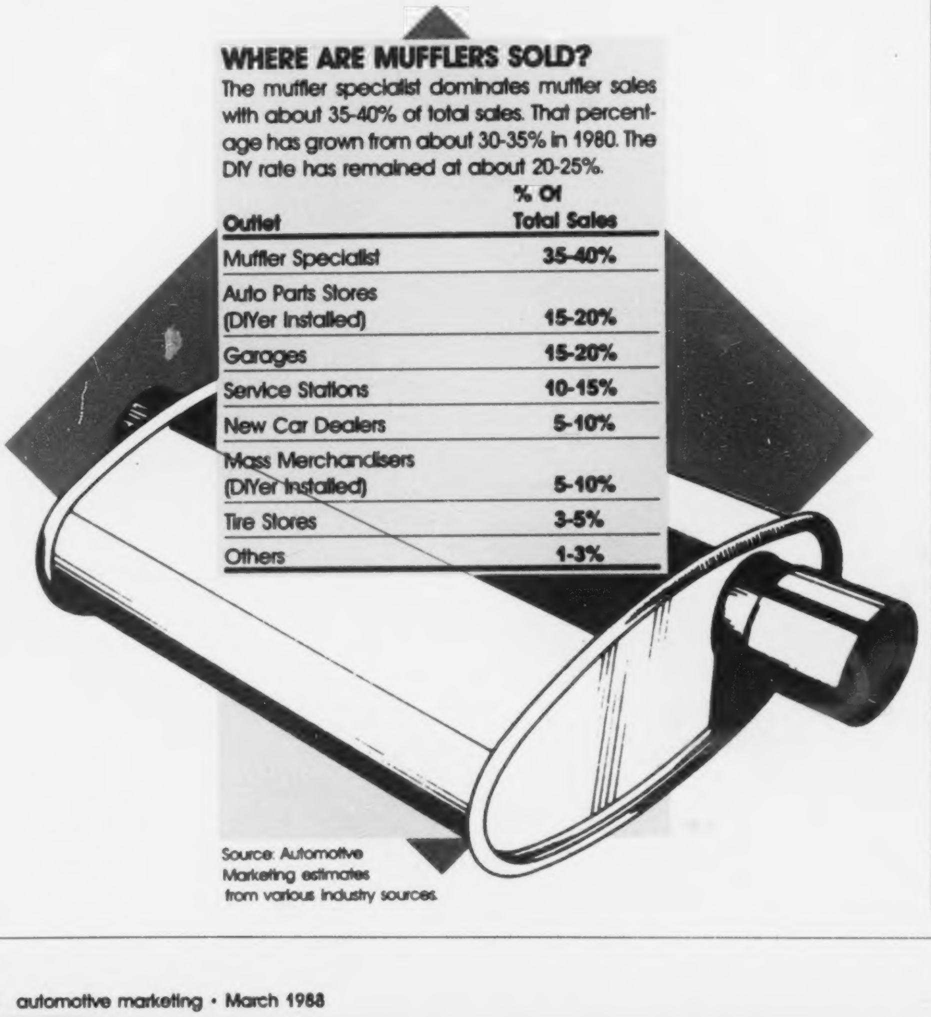
Stainless steel pipes came into use for manifold pipes when catalytic converters were added in the mid-1970s. The higher temperatures required the use of stainless for pipes between the engine and converter. And, since the OE manufacturers were responsible for the converter and pipes, they wanted parts that would last for 50,000 miles.

"Pipes in front of the catalytic converter have been made of stainless steel since 1975 and that market has slowed up somewhat," Harry Manning, manager of market analysis and planning at Walker Manufacturing, Racine, WI, said. "We're stocking about 140-150 SKUs in front pipe and there is a replacement market for manifold pipes. But the market is also less lucrative than when it was low carbon steel."

WHERE ARE MUFFLERS SOLD?

The muffler specialist dominates muffler sales with about 35-40% of total sales. That percentage has grown from about 30-35% in 1980. The DIY rate has remained at about 20-25%.

Outlet	% Of Total Sales
Muffler Specialist	35-40%
Auto Parts Stores (DIYer Installed)	15-20%
Garages	15-20%
Service Stations	10-15%
New Car Dealers	5-10%
Mass Merchandisers (DIYer Installed)	5-10%
Tire Stores	3-5%
Others	1-3%



Source: Automotive Marketing estimates from various industry sources.

Because they made the system run hotter (which means less condensation), catalytic converters extend the life of the entire exhaust system somewhat. Although the number of cars on the road has increased, the five major domestic exhaust parts manufacturers are selling about a million fewer units annually than they did five years ago. Ten years ago, muffler replacement was on about a four year cycle; today, it's closer to a five year cycle.

Let's look at some numbers. A Walker total market estimate for exhaust parts puts the 1988 market at some 30 million mufflers and 40 million pipes of all kinds.

It's not a high growth market, but it's awful big. Dollar sales, according to Walker estimates, for all sorts of exhaust products such as mufflers, pipes, clamps, hangers—everything but catalytic converters—come to about $2.2 *billion*.

The catalytic converter market is still an unknown. There is growth in catalytic converter sales, but no one is sure how much. On the plus side, there are some 51 million vehicles on the road with catalytic converters that are no longer covered by a manufacturer's warranty. There are also more state and local governments requiring emissions inspections. However, according to Environmental Protection Agency surveys, roughly 18% of drivers are still removing converters or not replacing old catalytic converters if the part goes bad. A 1985 survey of muffler shops projected a replacement rate of 1.4 million converters per year. But several exhaust manufacturers thought this was optimistic. So, no one is sure of the catalytic converter market, but the best estimates we heard put it in the $200 million range with about a million units sold.

The Impact Of Specialists

The key fact in marketing mufflers and pipes is the ongoing growth of the roughly 12,000 exhaust specialist repair shops. A consensus of major exhaust manufacturers has the market share of the specialists growing from about a third of the market at the beginning of the decade to at least 40%, and more like 45%, of the market in 1987. Exhaust specialists offer the consumer convenience, lifetime warranties, and a reasonable price. The 40-45% market share will probably grow even higher in the next few years.

But even with this growth, the DIY rate (for mufflers and pipes) has stayed relatively constant at 20-25%. And so, the retail aftermarket (auto chains, jobber/retailers, mass merchandisers) has a realistic shot at about $600 million worth of this business. Exhaust replacement is still a reasonably simple DIY task and the DIYer faces no huge technological changes.

"Depending on the region, the DIY market is not going to shrink," Norm Dobrowski, director of product planning for Maremont, said. "In fact, you may see a reverse in the trend. Because of downsizing, there're fewer components. And most mufflers have been moved to the rear of the system so they're actually easier to take off. From that standpoint, the job is a lot easier for the DIYer. The DIY rate is certainly not going to go down significantly."

Again, no one knows what the DIYer will do with catalytic converters. Manning said, "There probably won't be as much DIY as with exhaust parts. It seems a little less likely the DIYer will do the job. There's no more difficulty in doing the job, but the converter has the image of being more complicated." The DIY rate on converters remains to be determined.

The Impact Of Stainless Steel

The one unknown factor that may make all these numbers obsolete, however, is the growing use of stainless steel for the entire exhaust system on such popular cars as the Pontiac Fiero and the Ford Taurus. Although no one has any solid figures on the subject, best estimates say an exhaust system made entirely of stainless steel may last twice as long as present aluminized steel systems. And that could be a killer for the replacement market.

However, Dobrowski noted that only about 15% of new cars used stainless for the exhaust system. "Out of 160 million vehicles on the road, there's maybe only one million cars with stainless. But if usage increases at the OE level, if it gets into the 30-35% range of new cars, it can have an impact."

Stainless is used by OEMs not so much for long life, but primarily to cut weight. An aluminized steel system, including converter, weighs about 50 pounds; a stainless system weighs a little more than half that. "Domestic manufacturers are required by law to get better fuel economy," Gerber said. "The only way to get better gas mileage is to cut weight. So now you have plastic dashboards, rubber bumpers, magnesium wheels, and stainless steel exhaust systems."

None of the manufacturers is planning to market stainless steel replacement systems. The cost to the consumer is prohibitive. A stainless system would sell for almost double the price of an aluminized steel system. "It's substantially more expensive, so you'll never see stainless in the replacement market," Dobrowski said.

"At the OE level, they can absorb the cost and pass it on. I think you'll see the OE manufacturers using stainless systems as a marketing tool for cars they sell and emphasize as quality cars: sports and luxury models."

However, there is another development. While stainless systems on cars can be replaced with aluminized systems with no problem, one Chevrolet truck series C/K (used for delivery vans, bread trucks, wreckers) requires an GM muffler re-

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placement. "It's the first one we've seen that actually says that," Gerber noted. "It runs at about 2,000°. It's not only the fit, but the material must be stainless."

That's why exhaust manufacturers are nervous. They see a potential of more one-to-one required replacements (meaning you have to put on exactly what you take off) which will completely eliminate, or at least substantially decrease, shortline consolidations. "You only sell about ten million new cars a year," Gerber said. "At that rate it will take 13 years just to replace the cars on the road. So it's not going to happen overnight. But it's time for the aftermarket to think about how to manage the exhaust business in terms of one-to-one replacements."

Clean Lines And More Parts

Manning added that aerodynamics will also play a role in forcing one-to-one replacements. "The undercar is getting increasing attention. There's only so far you can go outside without cleaning up the undercar. I've seen prototypes that are real clean with the entire exhaust system tucked up into an exhaust channel. That says a lot about universal replacements. You'll have a very small envelope to fit. Because of the attention to keeping it tucked up, you'll have more hangers welded to the pipes. So it will be harder to bend the pipe, the pipe will have to be sold pre-bent. Making universal exhausts is going to get harder. It's going to take more and more SKUs for coverage."

Even without aerodynamic and stainless steel systems, retailers will probably have to stock more and more SKUs each year. Suppliers provide about 3-4,000 SKUs for complete coverage and are adding about 3-400 SKUs a year.

"There's just no let up," Manning said. "We're adding about 350 numbers this year. There're a few companies that aren't adding as many numbers. But if you don't, you don't keep up. We're finding that consolidations and removal of some numbers doesn't offset the growth. Over half the numbers are for imports. That's where the proliferation is. The major Japanese car makers are increasing the variety of cars and models."

"I don't expect any drastic proliferation in SKUs," Drobowski said. "A lot has already occurred. But if people keep cars longer and the car makers continue to introduce new models, there will be some proliferation. Retailers are going to have to keep a closer watch on their inventories."

Basically, in the short term, exhaust manufacturers say retailers should watch the import market carefully, for this is where the most growth should occur as more older imports stay on the road.

However, the long-term trend is for exhaust to become an even more integral part of the engine. "You already see oxygen sensors in the exhaust," Gerber said. "This sensor is hooked into the engine's computer and changes the spark temperature and frequency, and the fuel-air mixture. So if you alter the exhaust system, you can change the way your engine operates. If you put on the wrong muffler, you can alter the chemistry. So putting on the right part may become crucial. The retailer is going to have to have confidence in a supplier's catalog."

If one-to-one replacements become a major factor in the market, exhaust suppliers see the need for a closer tie between supplier and retailer. "You may see the kind of distribution where weekly shipments are just not adequate," Manning said. "And, the economics will not be good for providing 80% coverage. Retailers may have to rely on someone else to stock inventory. And service will be more important than price."

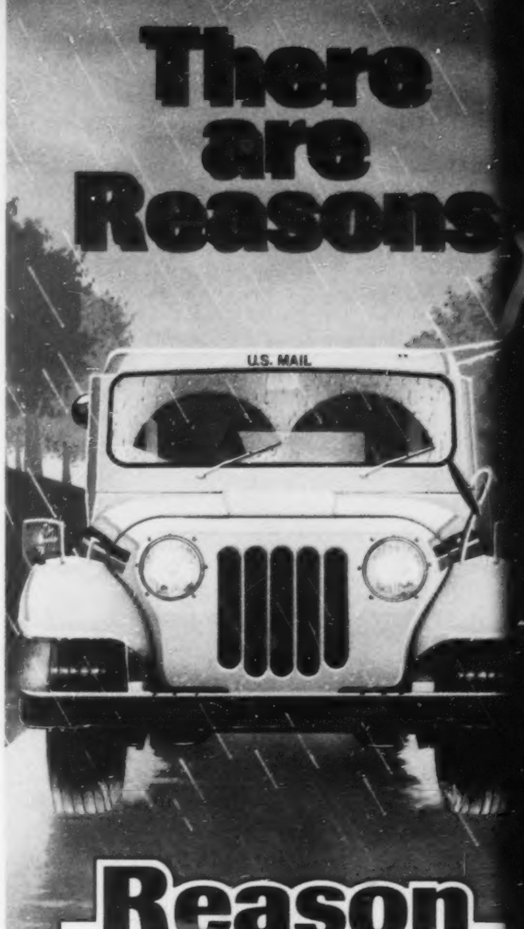
In The Future

Finally, we asked about long term technologies. While today's exhaust designs work effectively, are well established, proven, and comparatively inexpensive, work proceeds on some exotic projects in exhaust technology.

For example, Japanese manufacturers are working on a computerized muffler that alters back pressure for engine RPMs. "In the old days, trucks used cutouts at high speed," Gerber said. "It's the same idea. Except this cut-out is hooked into a computer."

Gerber also said work is proceeding on a electronically tuned muffler. "Say you have a horrible singing voice. You put a choir around you and all the voices generate a harmony to drown you out. The same way, electronics can create a noise canceling device to wipe out the exhaust noise. That can open a lot of things up. All you need is a conduit for hot gases to put them where you want them. There's no back pressure at all."

Although these are "blue-sky things, many years out," the retailer who wants to remain a viable supplier of exhaust parts to the DIYer is going to have to deal with some changes in the way he sells exhaust. First, coverage of more vehicles, mainly imports, and second, making sure the DIYer has the right muffler and pipe. ■



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Quick Lubes At 3,000 And Still Counting

If you like to keep track of "Oh wow!" type growth, the quick lube market is the place to watch. Keeping count of the number of quick lube centers open is about as easy as keeping count of points scored at the NBA All-Star game. You have to stop the clock occasionally and give the score at that time. So we asked the five largest quick lubes to give the number of centers they were operating as of December 31, 1987. This is the way it stood:

QUICK LUBE COUNTS

Jiffy Lube	778
Minit Lube	261
Rapid Oil Change	118
Grease Monkey	101
McQuick Oil Lube	63

This, we remind you, is already way out of date. Jiffy Lube, Baltimore, for example, has been adding about 150 stores a year for the last five years. Chairman and CEO Jim Hindman thinks they'll be at 850 when Jiffy's fiscal year ends on March 31. Sales are projected at about $267 million. Jiffy Lube is also acquiring smaller chains as fast as it can find them. In fact, the chain made an offer to buy Grease Monkey in 1987, but the offer was turned down. In addition to the United States, Jiffy Lube operates stores in Canada, France, Holland, and Australia. Hindman likes to say, "The sun never sets on the Jiffy Lube empire."

The other quick lube chains are also growing, too. For example, Rapid Oil Change, Minneapolis, owned by Valvoline, plans 250 by the end of 1988, and president Steve Kirshner said, "We're right on target.' Although Quaker State's Minit Lube, Salt Lake City, UT, was not making any sweeping prediction, the chain had opened 15 centers between December 31 and the time we spoke with them in late January bringing its total to 276. And, president Art Sensinig said Grease Monkey, Denver, had sold 402 franchises. "The challenge," Sensinig said, "is to get the units open as quickly as possible."

Hindman estimated the total number of centers at about 3,000. He said there was no reason to worry about saturating the market for some time. "There needs to be about 10,000 before you have to worry about that." And, even Hindman only expects 8,500 centers by the mid-1990s. Jiffy Lube studies show that the quick lubes are doing about 5% of *all* oil changes. By 1995, Hindman expects the quick lubes to be doing 35% of all oil changes.

Changes Ahead

Before that happens, however, the quick lube market is going to go through some major changes. For one thing, a lot of the smaller operations are going to be swallowed up.

Vince Russo, vice president and general manager at Avis Lube, Garden City, NY, (which opened its first outlet in January, but has firm plans for 100 by the end of 1988), said, "There're too many people betting on the come. Too many people are living off a dream—if Jiffy can do it, why can't I? They're living with that vision now, but in a year or two reality will set in. They'll find some financial troubles and there will be people looking for angels, some people say vultures, to bail them out. It's going to be interesting to see who steps in."

Avis is one company ready to step in; so is Jiffy.

Already in 42 states, Jiffy Lube doubled its national advertising royalty to 2% of gross sales to fund a $20 million national advertising budget (individual stores must also use 6% of gross sales for local ads). Although the company's long term agreements with Pennzoil were recently dissolved, Hindman said they were "not acrimonious. It was somewhat like a child who gets to be an adolescent. We wanted a different agreement. We buy 12 million gallons of oil a year, we ought to get a real good deal."

Hindman also noted that Jiffy is "the largest purchaser of filters in the world." The chain uses about 35,000 filters a day.

Hindman said the chain was the first quick lube approved for small business loans and it is instituting a program to promote minority ownership of Jiffy Lubes in cities. He hopes to move into cities beyond the 100 largest metropolitan areas.

"We just did a major study with Booz Hamilton that concluded that we were the only company that could legitimately afford to go into secondary markets. The big problem in this industry is fragmentation. We want to get big enough to be everywhere and have a strong central government of the industry. We welcome all quality independents to come talk to us about being acquired. We want to open a store a day."

THE TOTAL OIL CHANGE MARKET

Quick lubes sell about 5% of the total oil changes done annually. DIYers do about half, although they account for a larger percentage of oil sales.

Outlet	% Of Total Oil Changes
DIYers	45-50%
New Car Dealers	15-20%
Gas Stations	15-20%
Garages	10-15%
Quick Lubes	4-6%
All Others	1-2%

Source: *Automotive Marketing* estimates from various industry sources.

The Good And Bad Of Franchising

Although franchising can be a problem, Hindman said, "Franchising is the superior method. I believe in the free enterprise system. We put a man in business and give him responsiblity. We have a small percentage of company stores. We do need places to train and experiment. We can demonstrate to bankers that we know how to run a quick lube. But none of our company stores have ever performed as well as the best of our franchises."

Still, Hindman conceded there was more franchise turnover "than we want. Some people are just not cut out for the business. Some turnover because of deaths and divorces. But the turnover is not 10% a year."

Finding the right franchisees is crucial. Lou Urbano, national sales manager for McQuick Oil Lube, Muncie, IN, noted that franchises are an absolute necessity for growth. "If you're strictly company stores, you can't grow fast enough unless you're backed by an oil company."

McQuick has 25 company stores and 38 franchises. "Because we have company stores," Urbano said, "we know more than our franchises about locations, financing, and hiring and training employ-

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ees. When you sell a franchise, you're selling your mistakes, your learning, and your name recognition. We're stepping a little carefully in growth. We're very cautious. We prefer to say no, if there's any chance of failure" By the end of the year, Urbano said McQuick will have 80-100 stores in various phases of opening.

Marshall Stevens, president of Oil Can Henry, Portland, OR, with 26 open and 79 sold, said selection is the key. "You have to give the franchisee the vision. You don't just want past gas station operators. I'd rather have ex-clothing merchants. They're concerned about the customer. We're not selling a service; we're selling service. You have to be concerned with the customer's feelings first, and the car second. We like fast food people too, because they have a background in customer service. We get these people and we train them for six weeks. They need it and they want it."

Virtually all the quick lubes follow up with franchise meetings, periodic inspections, and mystery shoppers to make sure the franchises live up to the chain's policies. But despite their efforts, the chains still have some stores that they wish they could close down.

The Company Stores

Company owned stores have no such problems. If a store is not meeting standards, the manager is replaced. Then too, they have the advantage of offering good employees promotions to assistant manager and manager in a growing company, which franchise operations seldom can do. Rapid's Kirshner summed it up, "With any business, if you own the operation, you have more controls and more long-term profit."

Although Rapid Oil Change is the only major quick lube committed to the quality control, training, and accountability of owned operations, Quaker State's Minit Lube is extremely selective about its franchisees. Minit has 88 franchisees and 188 company stores and plans to keep that ratio. The Minit people feel too many quick lubes emphasize selling franchises rather than developing the business.

Developing the business is a key problem for the quick lubes. Plenty of franchisees can come up with $50-75,000 in franchise and equipment fees, but as one conceded, "There's no way you can get in the business for $50,000. If you get help with the real estate, you can get the store open, but then you have to make a profit from day one."

Then too, a lot of companies have sold territorial franchises to people who just can't open centers. Although there seem to be a lot of franchises sold, many are, as one franchisor admitted, "No more than a gleam in someone's eye and a few dollars up front for a franchise fee. They were sold on liberal terms three or four years ago when the company was selling franchises as fast as possible. Now the company says it has 500 locations sold, but many of those locations are never going to open."

THE INSTALLED OIL CHANGE MARKET

Most observers feel new car dealers now do more oil changes than gas stations, although the two are very close in market share. However, in total sales of oil, gas stations probably still lead because they deal with older cars with larger crankcases. But the real increase in market share goes to the quick lubes which have gone from practically nothing to about 15% of the market in seven years.

Outlet	% Of Installed Oil Changes
New Car Dealers	25-30%
Gas Stations	25-30%
Garages	20-25%
Quick Lubes	14-16%
Volume Retailers	5-10%
Tire Stores	5-10%
All Others	1-3%

Source: *Automotive Marketing* estimates from various industry sources.

National Chains?

Quick lube operators expect Jiffy Lube, Rapid, and Minit Lube to become the national chains. "Jiffy has more awareness than the other chains combined," one competitor said. "They have a substantial lead, but will they continue to grow at the same rate? No. They were growing by acquisitions because they were the only company acquiring others. They've already sold a lot of franchises. Some franchises are growing; some aren't."

There's no question that Rapid and Minit Lube will grow. As a competitor said, "They have the money to cover their mistakes." However, they may run into competitive situations with local quick lubes already selling their oils. "The tie-in will pose some problems," a competitor said.

Grease Monkey is seen by its competitors as a company on the edge. Whether it will begin opening its 402 sold franchises quickly, sell out, or settle into a solid regional operation like Oil Can Henry, McQuick, or Oil Express, Chicago, remains an enigma.

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Avis Lube stands to be the odd man out. If the company has strong support from Avis and Kendall, and it has the good franchises it claims, it could be a major player in two or three years.

"Everybody wants to be the McDonald's of the quick lube industry. I don't want to be McDonald's; I want to be Burger King. We're used to being number two," Russo said.

One thing that is almost inevitable in quick lube competition is price wars. Right now, the quick lube industry enjoys pricing determined more by an industry standard (around $21-22) than by competition. But as one noted, "Our services are not significantly different. What do we offer that our competitors don't? We all say we provide better service. But the customer may not perceive it. So we may get down to price wars."

Price wars favor the big guys who can take advantage of name recognition, better financing, and buying power to gain market shares. There's also the impact of the real "big guys," the major retailers and big oil companies.

Other Players

For example, within the next year, Sears will have Sears Timesaver Oil Change in its 700 or so auto centers. They're aimed at the female shopper who knows Sears and uses a Sears credit card. For Sears, putting the car in the shop and inspecting it while changing the oil, is like "finding money."

Wal-Mart is also testing a similar operation for its 150-odd centers. Although Wal-Mart would not discuss the test program with us, it has spoken with at least one of the three largest chains about the concept. Some observers believe Walmart is interested in a leased operation.

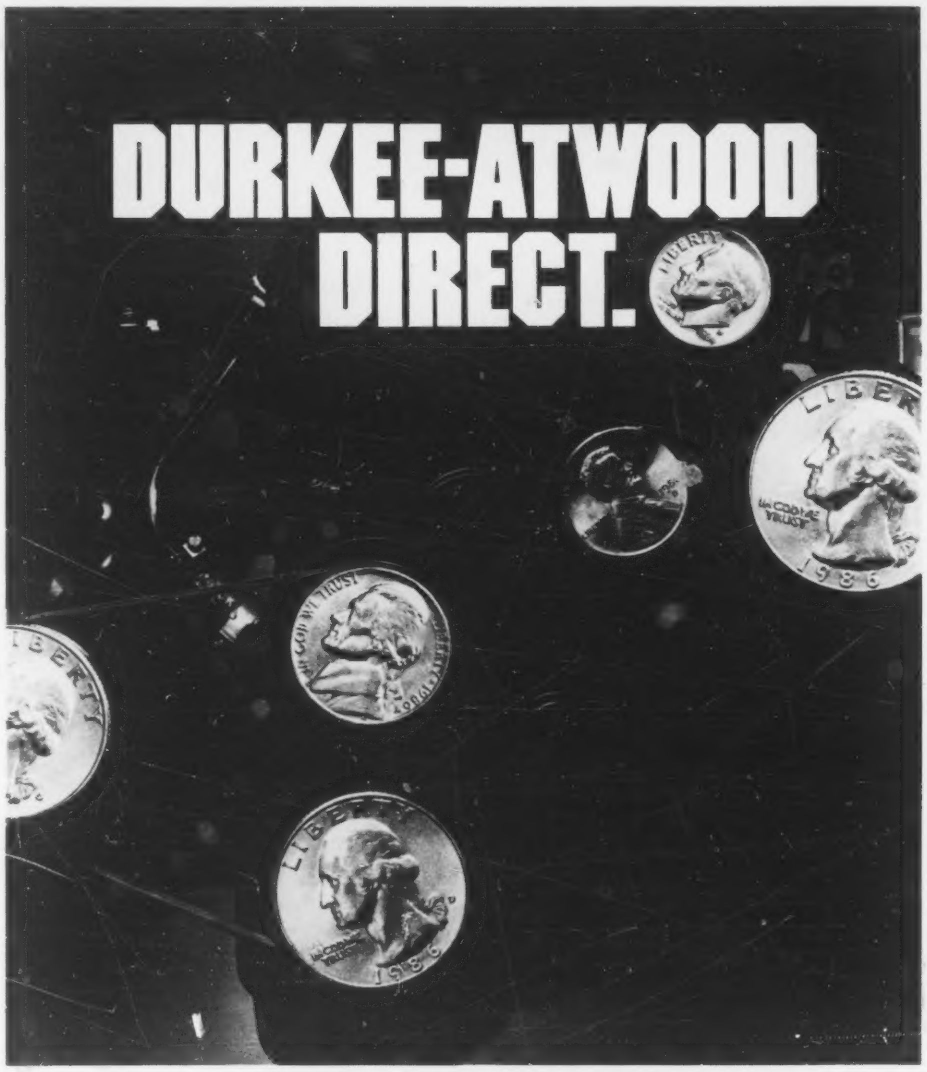
Both Sears and Wal-Mart will drain some customers from the "pure" quick lube operations.

What could also change the situation is the entrance of big oil companies. Rumors have been flying around about oil companies and quick lubes for several years, but with few actual developments. Chevron is running two prototype operations in California while Amoco opened its first Amolube in an automall in Bernsville, MN, in December. Exxon, in a joint venture with Canada's Mr. Lube International, is planning to test market Mr. Lube USA early this year; Texaco is experimenting with Express Lube in Houston; and Phillips 66 is testing Speedy Lubes in Denver. Any one of these, or other oil companies, could use their products, money and locations to upset the market quickly.

However, one quick lube franchisor commented, "Does big oil need oil change centers? Exxon has what, 16,000 gas stations? A few hundred quick lubes aren't enough to fool around with. Another problem, think of all the conflicts they'll have with their dealerships. Now the Pennzoils, Quaker States, Valvolines, that's different. Oil is their bread and butter. Quick lubes are becoming a significant part of the business. Buying a quick lube is just one way to be sure their competitors don't dominate the market."

Other Problems

Finally it's getting harder to find locations. Quick lubes have grown fastest in the west where real estate is cheap. Now they're moving east where land is dearer. "The competition for the right location is not just other lubes," McQuick's Urbano noted, "but it's every retail chain looking for a parcel of ground." Furthermore, it's not just a matter of money, but as Sensinig pointed out, it take hard work



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and patience to get a center open.

Oil Can Henry's Stevens detailed some of the problems he's encountered. "Communities say we don't want a lot of clutter along the streets. We want nice clean little office buildings or big shopping centers. And permits for automotive centers are still touchy. People think of clutter and dirt. A lot of junk cars sitting around and unsavory greasy people loitering. Besides, everybody's competing for the same spots.

"It's not like the 1960s where you had five or six options. Now there's only one option. Or none. Plus, some communities are starting to say, 'No growth.' Sometimes, it takes 15 months to get a permit. It's time consuming and expensive. Getting a permit in six months today is good. You file site and design plans. Sometimes communities object to the colors and signs. We had one community which wanted to see the color of the azalea bushes in bloom before they'd approve the site. Sometimes you can't have pylon signs; sometimes signs must all be the same color, all the same size letters.

"An old gas station may be a good location, but there are pollution problems. If you buy it, you have to clean it up. Open the tanks, ventilate, clean up the soil around the station if there's been any leakage. To put tanks in the ground you need double wall tanks. We use three—two for new oil, one for waste. Ten years ago, a tank ran about $5,000; now with double walls and alarms, it's close to $40,000. Now, we put smaller tanks in the basement. So wait till the fire marshal looks at them. He looks at the waste oil tank like it's a live bomb. You still need containment around the tanks.

"We're in several auto malls. We think they're good, but they're not a guarantee. It all boils down to location. Also, you can have a bad mix of tenants. You can get lost in the signage. They're certainly no panacea.

"It's not like building a convenience store," Stevens concluded. "We deal with a lot of silly problems. But that's life in America."

The quick lubes are going to grow, but the market is going to get tougher. ■

RETAILERS

A Busy Time For Major Aftermarket Chains

In case you haven't been keeping up with all the changes going on among the leading auto chains, here's a capsule summary of what's happened in the last 18 months with the top 12 chains. These 12 chains own about 3,500 stores.

Northern Automotive Group, Seattle, (Checker/Schuck's/Kragen, Phoenix) bought the Perry Drugs Auto Works stores, Pontiac, MI, (about 250 stores) and the eight store U-Save chain, Van Nuys, CA. The group now operates about 760 stores.

Chief Auto, Dallas, management conducted a leveraged buy-out from parent Southland Corp. They are testing service bays.

AutoZone, Memphis, TN, is the new name for the approximately 400 Auto Shack stores following the settlement of a suit with the Tandy Co. (Radio Shack). They are testing service bays.

Western Auto, Kansas City, MO, went public in January 1987. It bought the NTW tire stores to add to its previous acquisition of the Tire America stores. It also announced a major franchise expansion drive.

Otasco, Tulsa, OK, sold off its Rapid Distributing Div. to concentrate on its retail operations.

Trak Auto, Landover, MD, bought out its Thrifty Drug partner in Trak West and consolidated the Trak stores.

Nationwise Auto Stores, Columbus, OH, bought the 77-unit Guarantee Auto Store chain in Indianapolis, IN. Guarantee has service, Nationwise does not.

Pep Boys, Philadelphia, opened an Atlanta regional warehouse to match its regional warehouses in Dallas and Los Angeles. It consolidated all buying in Philadelphia, closing its Pep Boys West buying office. It operates service bays in most stores.

Whitlock Auto Stores, Chicago, which operates Giant Auto Supply, National Auto Stores, Strum Auto Supply, and Whitlock Auto Supply, was acquired by the London-based Ward White Group and then acquired the Florida-based Rose Auto Stores.

Grand Auto, Oakland, CA, was bought by PACCAR, which also owns Al's Auto Supply in Everett, WA. Grand has service, Al's does not.

Champion Auto Stores, Minneapolis, and **Advance Auto**, Roanoke, VA,

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CONSUMER AUTOMOTIVE REPAIR STUDY

INTRODUCTION

by **Philip Katcher,** Research Editor, **John Wirebach,** Senior News & Features Editor, **Gail Krueger-Nicholson,** Managing Editor, **Rosemarie Kitchin,** Editor, and **Neilann Phelan,** Editorial Intern

In the whole, trends in the changing world of the automotive DIYer that we saw in 1987 continue to hold true in 1988.

Then we said more women were maintaining their own vehicles—without professional help. That's still a trend, as we continue tracking DIYers and the jobs they do in three year cycles. This year's study was designed to be directly comparable to the one we did in 1985.

In 1985, we found that 27% of all DIYers were women; in 1988 that percentage has grown to 34%. As we'll see, however, there are indications that while the overall percentage of women who are DIYers continues to grow, the number of women who are increasing how much they actually do on a vehicle is slowing down considerably.

DIYers are making more money now than in 1985. Then, 34% made less than $20,000 a year. This year, we found that the percentage making that amount of money dropped to 25%. On the other hand, 16% made more than $40,000 annually in 1985 and the percentage now making that sum is 21%.

There was a noticeable drop in the percentage of DIYers who were responsible for maintaining three or more vehicles. In 1985, 23% said that they had responsibility for three or more vehicles. In 1988, the percentage had dropped to 16%.

In other areas, however, the 1985 and 1988 percentages remained relatively equal.

Self-Service Shopping

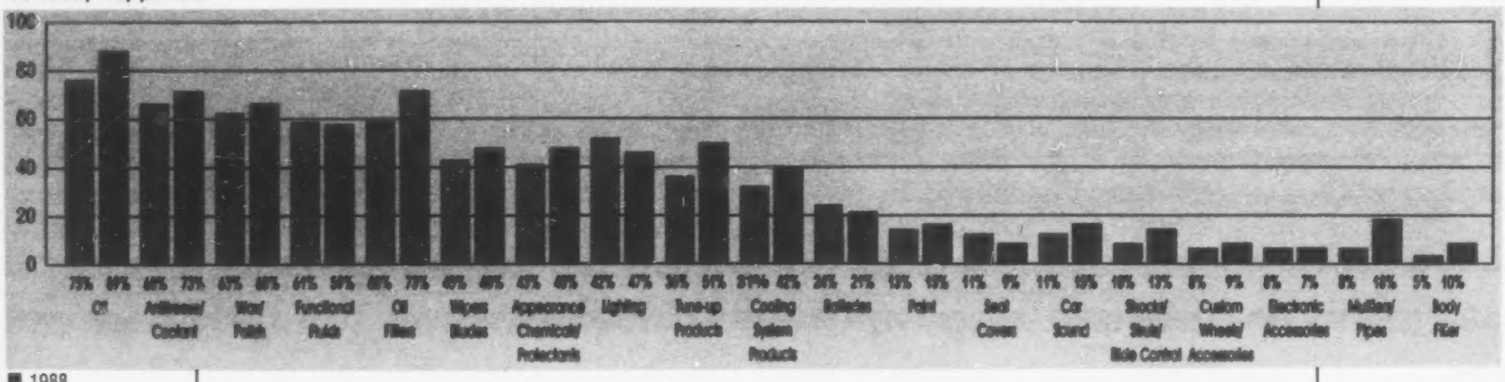
Overall percentages were roughly the same in 1985 and 1988 when comparing DIYers who chose their own merchandise to those who asked for help from store personnel. Just slightly over three quarters found what they wanted without sales help.

As might be expected, there are differences among these two groups, however, which still make an experienced, trained sales force important in reaching some DIYers.

A larger-than-normal percentage of those who seek help on the sales floor are women (38% asked for help), young (25% of those asking for help were under 25 years old), and making less money than average (27% of those who asked for help make under $25,000 annually). Those asking for help don't spend a great deal of time working on their vehicles—28% spent less than an hour a month on vehicle maintenance. And, 51% of those who asked for help in looking for automotive aftermarket products spent less than five automotive DIY hours a month, in all. They are responsible for maintaining fewer vehicles: 30% of those asking for help also

PRODUCTS DIYERS INSTALLED THEMSELVES

We asked DIYers what products they actually installed themselves in 1988 and 1985. Most changes were only slight over the years, but the long awaited drop in tune-up products has obviously happened.



■ 1988
■ 1985

maintain only one vehicle.

This isn't a group that spends a great deal of money in the aftermarket. But, it is a group that offers a great deal of potential in terms of future sales. It should, therefore, be encouraged.

On the other side of the coin, those with the self-confidence needed to simply walk in, pick up what they think they need, pay for it, and walk out are male (84% of males said they needed no help), older (80% of those not needing help are over 55 years old), better off (79% of this group make over $40,000 annually), and highly active in DIY (83% of those rejecting help spend 11 or more hours monthly on vehicle maintenance). They maintain more vehicles: 81% of those not needing help work on three or more vehicles.

These are already prime customers: Get them into your stores, leave them alone, and ring up those sales.

What Jobs They Can Do

Almost half (49%) of DIYers said they could only do "some" automotive maintenance jobs. The rest said they could do "any," "most," or "almost no" automotive maintenance jobs in roughly the same percentages in both 1985 and 1988. There was a decrease in those who could do "any" type of automotive job from 13% in 1985 to 7% in 1988. Otherwise the percentages were the same at 29% for "most," and 14% for "almost no."

The most confident DIYers might be expected to be the hardest workers and, therefore, the best auto parts store customers. This isn't necessarily true, however. Where only 4% of those who spent less than an hour monthly on vehicle maintenance work said they could do any type of job in 1985, by 1988 this figure had grown to 9%, not good news for their retail parts sources. Those making under $20,000 annually who could do any type of job—a key group of individuals who are forced to maintain older cars—had dropped from 12% in 1985 to 8% in 1988.

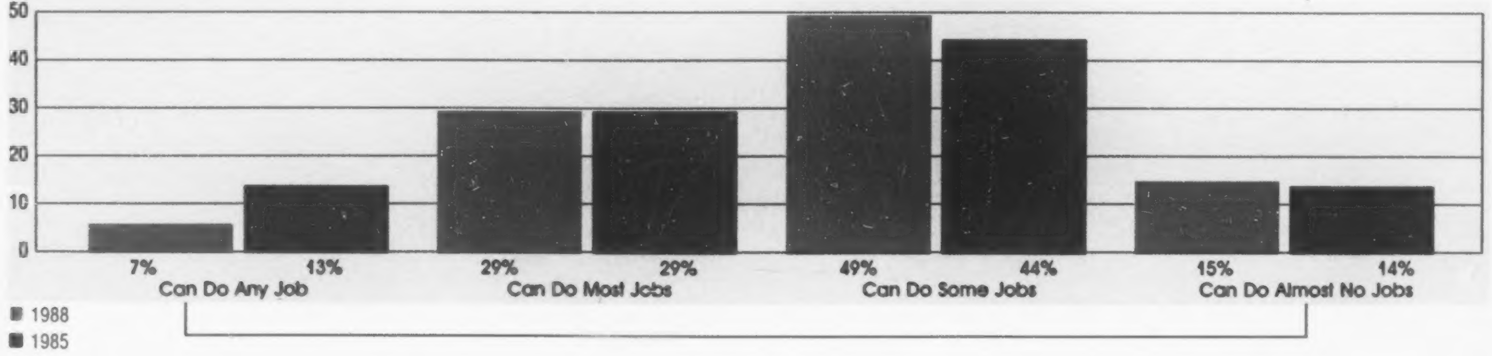
The groups in which there are significantly above average numbers of DIYers who have little confidence in their abilities, who say they can do almost nothing on a vehicle themselves, are women (31%), middle-aged (21% saying they can't do much were between 45 and 55 years old), and in a lower income bracket (20% of those making less than $20,000 annually said they fell into this category). They don't do much of this kind of work anyway; 31% of those spending less than an hour a month on their vehicles said they fit into this category.

Doing More Or Less?

For some time now, people have been talking about the in-

DIY SELF IMAGE

We asked DIYers in 1988 and 1985 what sort of automotive jobs they thought they could do. There has been a significant drop in the number of those who thought they could do just about anything, while more think they can do only some jobs.



CONSUMER AUTOMOTIVE REPAIR STUDY

INTRODUCTION

creasing number of women getting into automotive DIY. Well, the blush is off the rose. In 1985, 60% of all women said they had increased the amount of vehicle maintenance they'd done over the previous year. In 1988, that percentage has dropped a significant 13% to only 47%. This is higher than the percentage of all DIYers who said they'd increased the DIY work they'd done in the previous year, 38%, but it shows the trend towards women doing ever-increasing amounts of work on their vehicles, at best, slowing down.

Is there any growing group, then? Interestingly, the only growing group of DIYers who say they're increasing their vehicle maintenance work, by age, are those under 25 years old. In 1985, 31% of those increasing their work were in this age group; in 1988, 40% were. All other groups were roughly the same in 1985 and 1988.

But, the news about the younger DIYers increasing work is encouraging. After all, it's young customers who make up most markets' potential growth.

Why They're Doing More Or Less

For some years now, aftermarket experts have been saying that new vehicle technology was going to put a fair number of DIYers out of business. This year, we can see that this technology is actually affecting the aftermarket. In 1985, 15% of all DIYers said they'd done less DIY work over the previous year because their vehicles were too technologically complicated; this number had grown to 20% in 1988. It was the only significant swing in answers between the two studies.

This complex technology has forced more men out of DIY (22% of male DIYers cited this reason in 1988 compared to 16% in 1985), more prime DIY aged individuals out (68% of those those citing this reason were between 25 and 44 in 1988 against 42% between those ages in 1985), and more DIYers making over $40,000 annually (52% of those who gave this reason in 1988 versus 21% in 1985).

The technology isn't slowing down everybody, however. In 1985, 21% of those who had increased automotive DIY work over the previous year said it was because they'd gained confidence in their own repair skills. This percentage jumped to 28% in 1988; those who have mastered the new technology have gained confidence to do even more.

In all, 32% of all male DIYers gave this as their prime reason for increased DIY work in 1988, a significant jump from the 22% who gave that reason in 1985. Younger DIYers, too, felt they could do more. Only 20% of those under 25-years-old who increased the DIY work they'd done in the previous year cited this reason in 1985. But, in 1988, it was 34% of that age group who gave this as the reason they'd increased their DIY work. And, only 9% of those who made more than

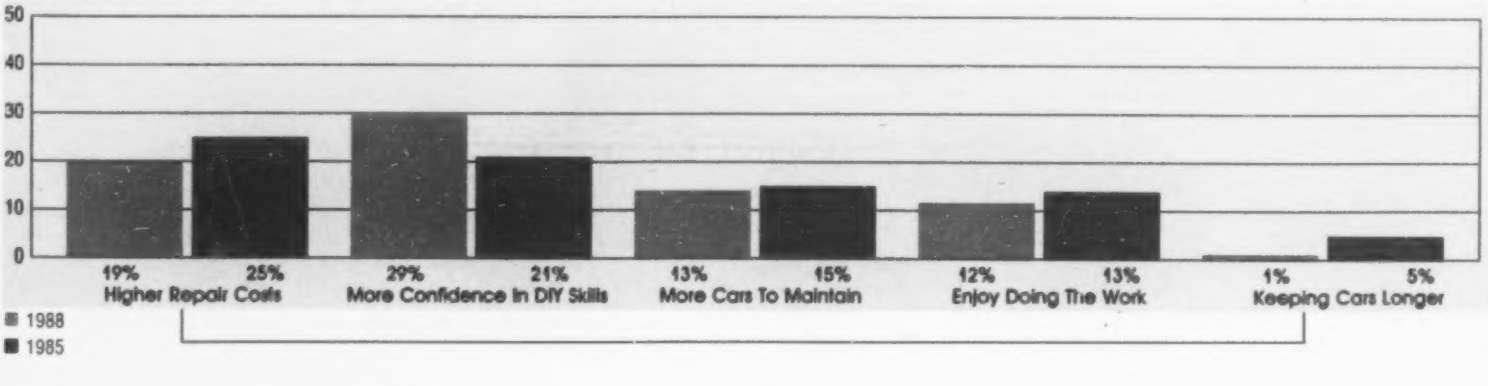
STUDY METHODOLOGY

This year marks the fifth consecutive year *Automotive Marketing* has produced its benchmark *Consumer Automotive Repair Study (CARS).* This year also marks the second year of tracking the results in three year cycles.

Last year, and in 1984, our study sought to get and compare basic demographics on certain product categories. This year, and in 1985, we took our study a step further. We first wanted to find out about purchase patterns—why the respondents shopped a particular outlet for a particular product; why they chose a particular brand; whether and how they were influenced by advertising; and so forth. We also wanted to be able to project the study results across the entire U. S. population.

One thing that has not changed over the years is the way in which we gather this information—by phone from a carefully qualified respondent base. As in 1985, this year's study focused on the retailers' target market—people primarily responsible for the maintenance of at least one vehicle who do some sort of automotive DIY, be it as major a job as rebuilding an engine or as minor as washing and waxing a car.

Chilton Research Co., one of the country's leading market research firms, made the



WHY DIY INVOLVEMENT HAS INCREASED
Why did those who are doing more DIY work now than before choose to do this sort of work? We compared the answers in 1988 and 1985 and found that the largest change was in the number of DIYers who are confident of their DIY skills.

CONSUMER AUTOMOTIVE REPAIR STUDY

INTRODUCTION

$40,000 annually in 1985 gave this reason for increasing DIY work. But, an astounding 32% in this income group gave this reason in 1988.

So, the new technology is not scaring those DIYs who have learned to be comfortable with it. All in all, these are telling arguments for further consumer education at all levels.

Extended Service Contracts

This year, we asked DIYers if their vehicles were covered by extended service contracts or agreements. Generally, the industry figures that about 40% of today's vehicles are sold with some sort of extended service contract. However, only 25% of DIYers have any agreements of this nature. In part, this may be so because DIYers may own older cars, but in part it may also be so because those who trust their own maintenance skills may feel that such an expensive, extra agreement is unnecessary.

Overall, some aspects of aftermarket sales have been affected by these agreements, at least among the quarter of DIYers out there who did pay for one. Of this group, over half (58%) said they're returning more to the dealer for service covered by the agreement as a result. Only 14% of this group said that the haven't been using some form of professional service more as a result of the agreement.

However, the basic maintenance jobs that are the bread and butter to most auto parts stores—oil changes, radiator flushes, and accessory additions—have not been affected by these agreements, even among those holding them. In all, 91% of those who bought an extended service agreement with their new vehicles said that they had not changed how they regularly maintained their vehicles.

Other Comparisons

This is the second time we have compared two of our *CARS* studies. This study, as our 1985 study, concentrated on the reasons why the DIYer bought a product where he or she did. Those reasons really haven't changed over a three-year period. Now, as then, on the average, the DIYer looks for a friendly store that's easy to get to and has the image of having low prices. Once in the doors, he or she looks for the products they need that have the quality they want.

It's as simple as that: Put stores in convenient locations, build an image of low pricing, and stock the stores with quality merchandise. Then sit back and listen to the bells of the cash registers. But, of course, that was as true three hundred years ago as it is today. And, that's what our studies show. ■

actual telephone interviews and tabulated the results.

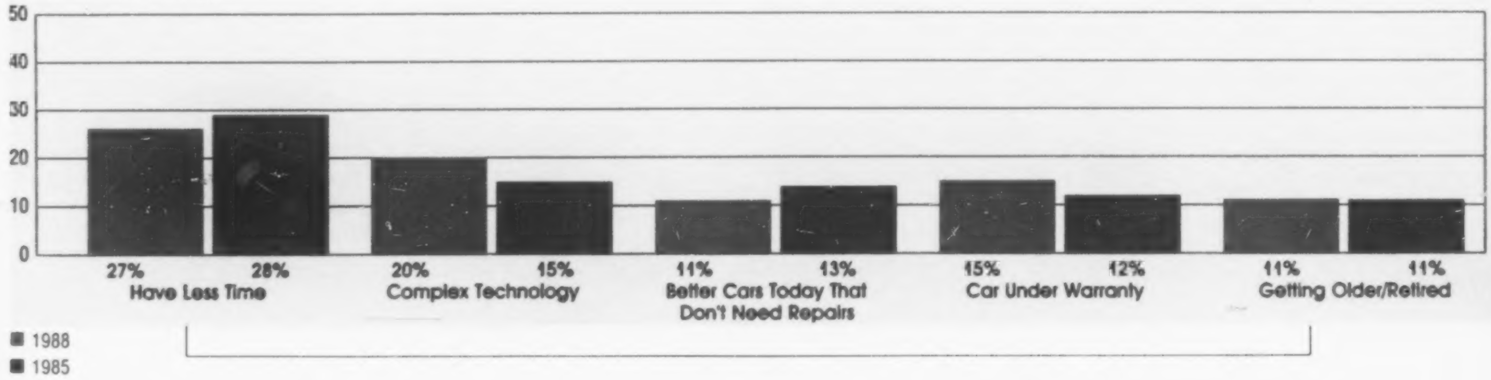
If the person reached on the phone did not qualify both as a vehicle maintainer and an automotive DIYer, the interview was terminated. And, in order for a qualified respondent to answer any of the questions about the individual products, he or she had to have *both bought and installed* the product within the preceding 12 months.

The answers that the interviewers got were "top-of-mind" answers. Many questions were open-ended, meaning that interviewers did not provide a list of possible answers for a respondent to select from. Instead, the interviewers took down the respondent's first response. Market research professionals feel that lists of suggested answers tend to prejudice the responses.

In much the same way, the interviewers did not "probe." That is, they did not ask, "Is there anything else?" after they received an answer. The result of this is that the answers reflect the respondents' automatic and first choice answers. This means that, for example, respondents answered that things such as price and quality influenced their choice of the type of brand to buy, rather than packaging. In truth, packaging and other aspects of the product obviously do influence purchases, but they are not first in DIYers' minds.

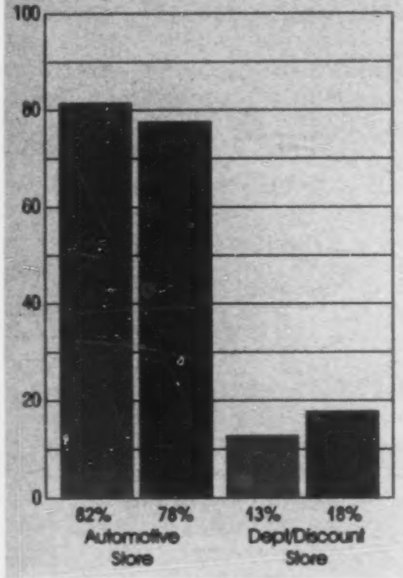
WHY DIY INVOLVEMENT HAS DECREASED

We asked DIYers in 1988 and 1985 why they have cut back on the the amount of work they do on their vehicles. The largest change was brought about by the new, more complex technology.

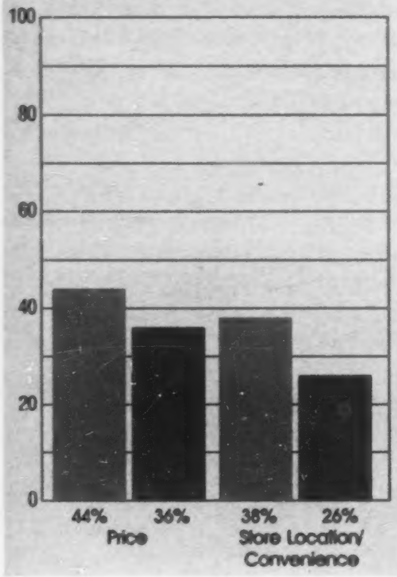


TUNE-UP PRODUCTS

TUNE-UP PRODUCTS PURCHASE BY OUTLET TYPE
Where did tune-up products installers last buy the products: Comparing the major changes from 1988 to 1985.



REASON FOR PURCHASING TUNE-UP PRODUCTS AT SPECIFIED OUTLET
Why did tune-up products installers buy the products where they did: Comparing the major changes from 1988 to 1985.



Tune-up products DIYers—those who installed products such as spark plugs, spark plug wires, distributor parts, and modules—made up 36% of our 1988 *CARS* study participants. That percentage is less than in earlier years (in 1985 it was 51%), but it is still a substantial number. Only simpler tasks like fluid or chemical installation and filter replacements rank higher on our survey.

Although many people say the tune-up market will fall off because of more elaborate technology, we see three good signs. First, 44% of those who did tune-up product installations said their level of DIY involvement has increased. So it seems DIYers are learning how to do more tune-up work. Secondly, of those who owned foreign cars, 53% said the tune-up installation was on a foreign car. This means DIYers are not afraid to work on a foreign car. And finally, 90% of the tune-up product installers said they were very likely to do the job again.

The DIYers were mainly males (91%) and half (50%) were under 34. Some 54% of them made over $30,000.

The high cost of professional repairs was the main reason for doing it for 65% of the respondents. Another 16% of tune-up DIYers wanted to make sure the job was done right, and 13% said they enjoyed the job and got personal satisfaction from it.

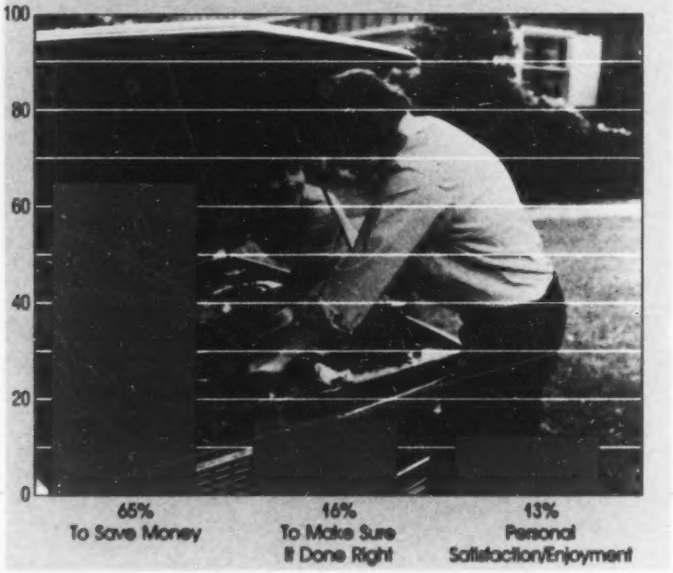
Although discount and department stores are increasing popular parts selections, the auto parts store was still the choice of 82% of *CARS* DIYers, an overwhelming majority. Discount and department stores drew just 7% and 6% respectively.

Why did DIYers choose a particular outlet? Price was the number one reason, according to 44% of tune-up DIYers. Second was convenient location for 38% of DIYers. A good selection of product attracted 17% of tune-up installers.

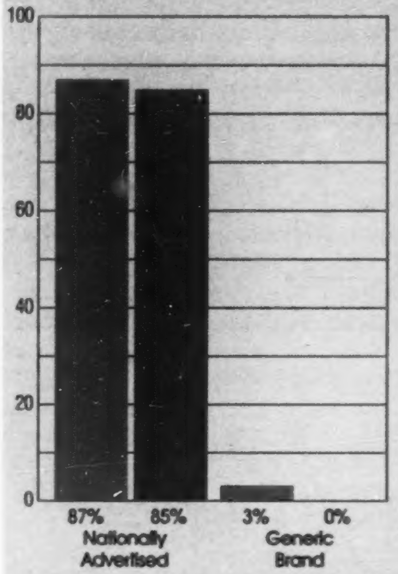
Just over a quarter (27%) of tune-up DIYers comparison shopped before making a purchase. However, advertising only influenced some 18% of the DIYers.

National advertised brands won out with 87% of DIYers. Only 9% were willing to buy a store brand. DIYers chose a particular brand mainly for two reasons: quality (22%) and price (19%). However, a smaller percentage, 16% said they chose a brand out of habit. ■

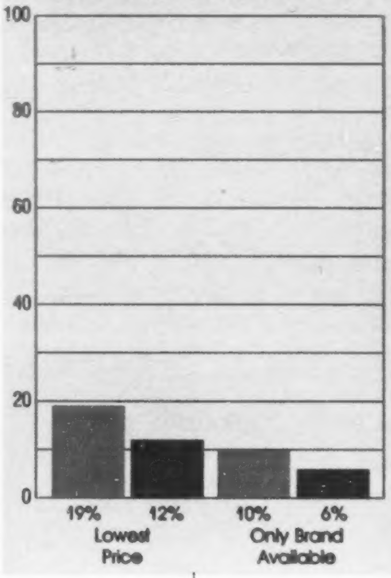
WHY THEY DIY
We asked our 1988 DIYers why they installed tune-up products themselves. Here are their top three reasons.



TUNE-UP PRODUCTS PURCHASE INCIDENCE/INFLUENCES
What type of brand of tune-up products did the installer buy: Comparing the major changes from 1988 to 1985.



Why did the installer purchase the type of brand he did: Comparing the major changes from 1988 to 1985.



▨ 1988
■ 1985

CONSUMER AUTOMOTIVE REPAIR STUDY

CATALYTIC CONVERTERS

There are not a lot of people in the replacement catalytic convertor market yet, and those who have purchased and installed the product themselves give a mixed verdict about the likelihood of repeating the installation. That's what we found in our first *CARS* foray for data about this emerging replacement parts category.

The people who reported buying catalytic convertors were, to a person, male (100%), and young (100% under 45 years old and 51% younger than 25). The great majority were on the lower end of the economic scale (68% at less than $20,000 annually), but 14% of catalytic convertors purchasers/installers earned more than $40,000 a year. The greatest majority of men who tackled this replacement were dedicated DIYers spending more than 11 hours per month on vehicle maintenance and repair (86%). They maintain two (51%) or more (49%) cars, and none of them see a decline in their automotive DIY activity in the future.

Although they planned their purchase (83%) rather than bought on impulse (17%), advertising had absolutely no effect on them (100%). However, brand is a consideration because 68% bought a nationally advertised brand, indicating that being part of a respected corporate product line lends credibility to a new product offering such as catalytic convertors. But nearly a third (32%) didn't know what brand they had purchased.

Their reasons for purchasing the brand they did were 1) reputation (51%), 2) quality and convenience (tied at 18% each), and 3) price (14%). As for comparison shopping for their cat convertors, about half shopped around (51%) and half didn't (49%).

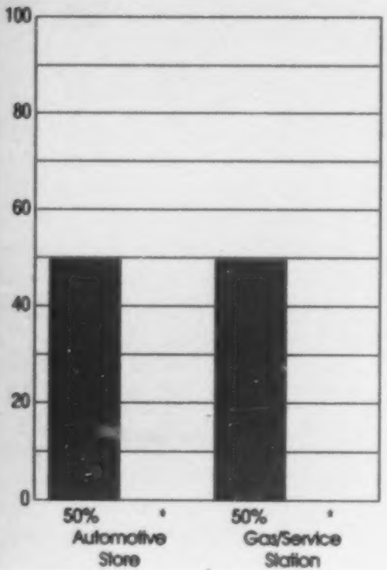
Their reasons for doing their own installation, the catalytic convertor installers told us, were to save money (35%) or because they enjoyed the task (65%).

The vehicle population data shows that this product will become more important in the aftermarket as cars and trucks require emission system component replacement to comply with clear air standards.

Retailers who wish to take advantage of this product opportunity have an extensive job of consumer education before them. However, it may pay off at the POS counter. Whether the majority of the business goes to the DIY segment or to the professional installer segment where it's a natural for exhaust and undercar specialists is something *CARS* will continue to track. ■

CATALYTIC CONVERTER PURCHASE BY OUTLET TYPE

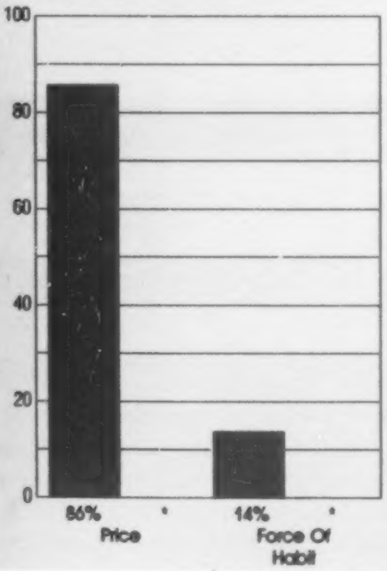
Where did catalytic converter installers last buy the product: Comparing the major changes from 1988 to 1985.



* No data from 1985

REASON FOR PURCHASING CATALYTIC CONVERTER AT SPECIFIED OUTLET

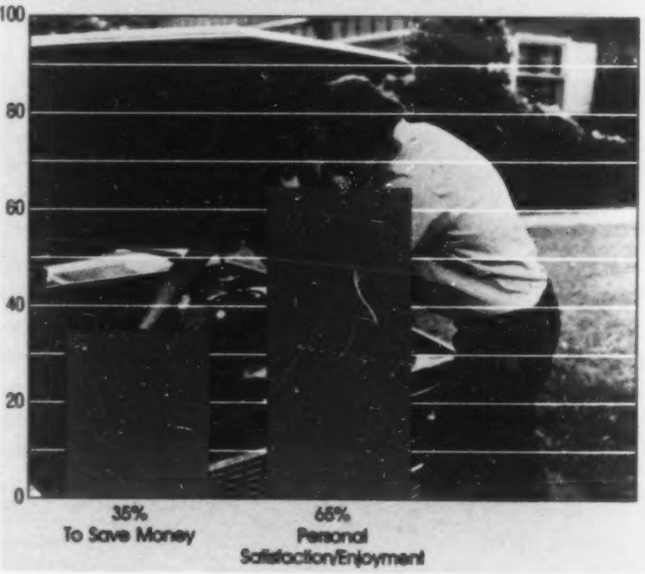
Why did catalytic converter installers buy the product where they did: Comparing the major changes from 1988 to 1985.



* No data from 1985

WHY THEY DIY

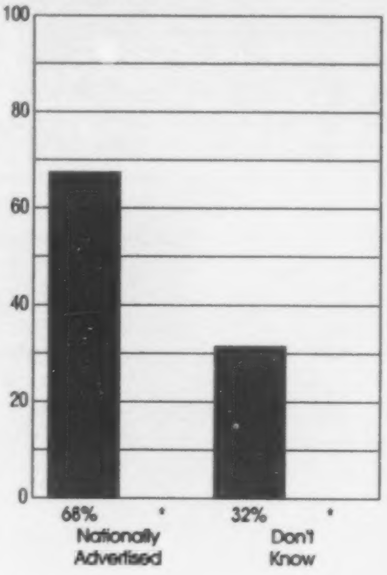
We asked our 1988 DIYers why they installed catalytic converters themselves. These are their only reasons.



▨ 1988
■ 1985

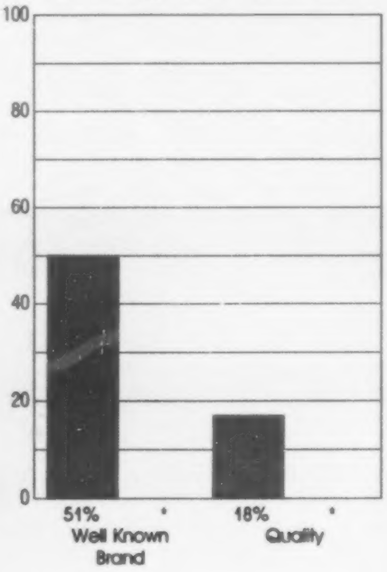
CATALYTIC CONVERTER PURCHASE INCIDENCE/INFLUENCES

What type of brand of catalytic converter did the installer buy: Comparing the major changes from 1988 to 1985.



* No data from 1985

Why did the installer purchase the type of brand he did: Comparing the major changes from 1988 to 1985.



* No data from 1985

CONSUMER AUTOMOTIVE REPAIR STUDY

FUEL INJECTION COMPONENTS

Fuel injection components is a brand new ignition product category for our *CARS* survey. We found that only 3% of respondents to the survey had bought and installed some kind of fuel injection component in the last year. But as the number of fuel injected cars on the road continues to grow, the number of DIYers installing these parts should also grow.

Although the sample is very small, we can see some trends that will be worth following in the next few years. For one thing, 48% of DIYers installing fuel injection components said their level of involvement with DIY work had increased. For another, 85% of those doing the work were under 44-years-old, and 54% were under 34-years-old. Many aftermarket observers say younger people who grow up with electronics will not be scared by new technologies. We found some evidence of that. Of the total *CARS* survey group, 21% were under 25-years-old; but 25% of those doing this installation were under 25-years-old.

The main reason for doing the installation was to save money, according to 39% of the DIYers. Another 25% said it was simple and easy to do. However, 25% said they were not at all likely to do the job again. Still, about two-thirds (67%) said they would very likely do the next fuel injection installation themselves.

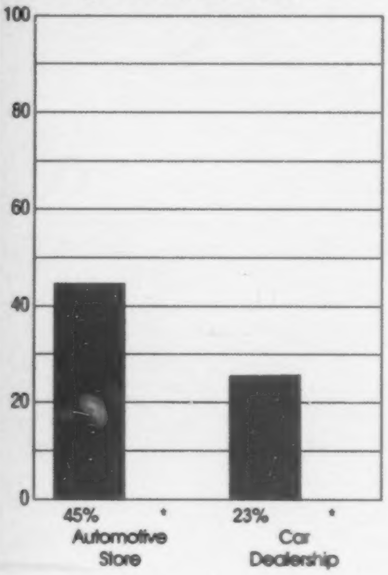
Although auto parts stores received the largest percentage of DIYer's business with 45% shopping there, other outlets received substantial amounts. For example, 23% of DIYers purchased fuel injection components at a new car dealership, and 14% bought the parts at a service station.

Only 13% of DIYers said they were influenced by advertising. Price, convenience, and necessity were the key reasons for selecting an outlet. Price was the leading reason advanced by 26% of the DIYers. Convenience drew responses from 25%. And, almost a quarter (23%) said they chose an outlet simply because it was the only place to get the part. However, we should note that only 11% comparison shopped before buying.

Less than half (48%) the DIYers bought a national brand. The rest bought a store brand (20%), a white box generic product (17%), or an OE brand (9%). The leading reason for selecting a brand was the lack of other brands to choose from, according to 28% of DIYers. ■

FUEL INJECTION COMPONENTS BY OUTLET TYPE

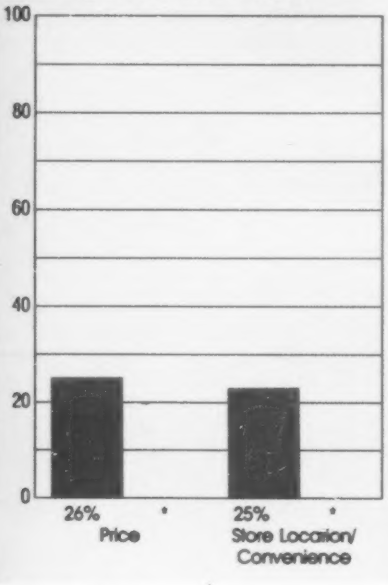
Where did fuel injection components installers last buy the product: Comparing the major changes from 1988 to 1985.



* No data from 1985

REASON FOR PURCHASING FUEL INJECTION COMPONENTS AT SPECIFIED OUTLET

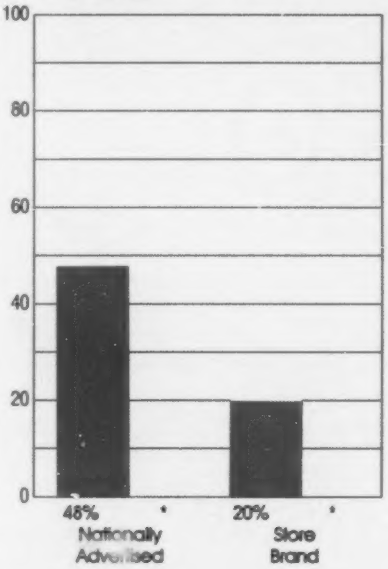
Why did fuel injection components installers buy the product where they did: Comparing the major changes from 1988 to 1985.



* No data from 1985

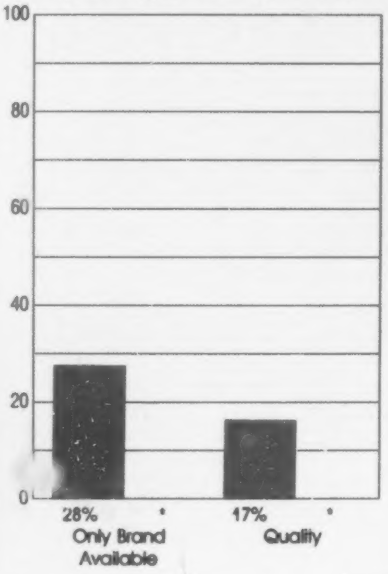
FUEL INJECTION COMPONENTS PURCHASE INCIDENCE/INFLUENCES

What type of brand of fuel injection components did the installer buy: Comparing the major changes from 1988 to 1985.



* No data from 1985

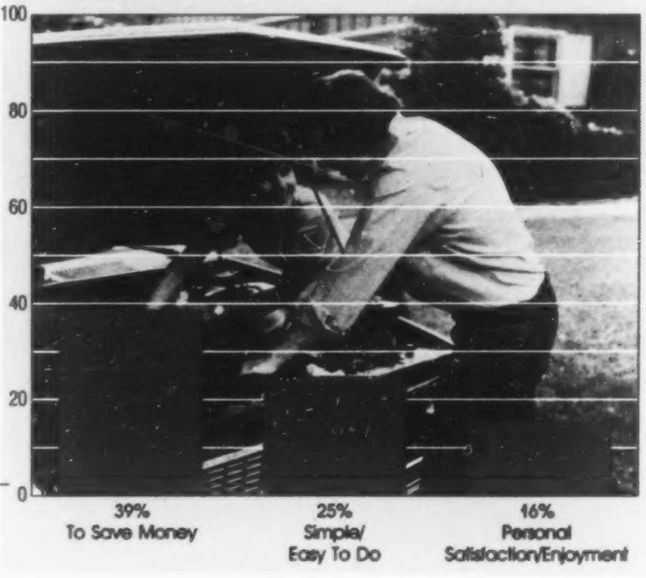
Why did the installer purchase the type of brand he did: Comparing the major changes from 1988 to 1985.



* No data from 1985

WHY THEY DIY

We asked our 1988 DIYers why they installed fuel injection components themselves. Here are their top three reasons.



▨ 1988
■ 1985

CONSUMER AUTOMOTIVE REPAIR STUDY

WINDSHIELD WIPERS/BLADES

People who purchase windshield wipers and blades for their own installation are buying more from automotive parts stores than they did three years ago. Both discount stores and gasoline/service stations lost market share in DIY sales: The discount outlets slipped from a 21% share of market (SOM) in our *1985 CARS* study to the 14% of the current study, and gasoline/service stations lost four points, going from 13% to 9% incidence of purchase.

Automotive DIYers who buy and install these products are predominantly male (75%), young (69% younger than 45 years old), and casual DIYers who spend between one and five hours monthly maintaining their cars (65%). Income doesn't seem to make much difference since DIYers of all income levels were equally involved with wiper or blade installation.

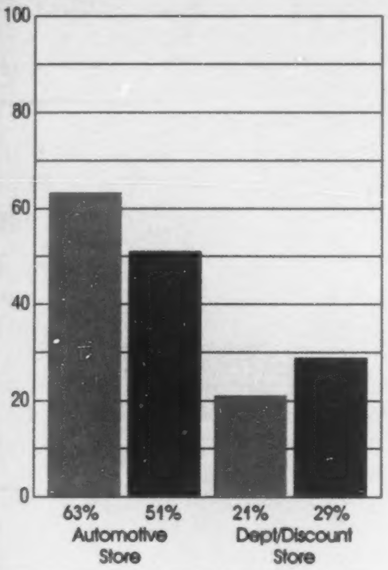
Only one in eight installers thought their purchase had been influenced by advertising. Of those who did respond to ads, half remembered store advertising read, seen, or heard in the media (50%), and the other half (50%) cited in-store advertising or displays as their reason for purchase. However, of all wiper product installers, 59% bought a nationally advertised brand (whether it triggered their specific purchase or not, they were aware of the ad campaign).

These DIYers bought the products where they did because of convenience or location (53%), and for price (32%). Product selection was the prime reason for 15% of the sales. Impulse purchases took a significant plunge from our study three years ago, going from 23% in 1985 to 11% in 1988. That could be because the industry has spent a lot of effort and time to promote the product category, and DIYers are more aware of the need for replacement and plan their purchases rather than relying upon in-store displays to spur the buy.

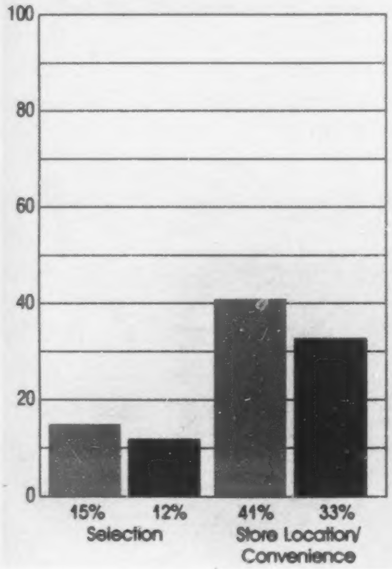
Will they buy and install these products again? According to them, the answer is a resounding positive yes, with 97% answering that.

The key to growth in this product category may well be more consumer education and promotion: The incidence of DIY activity in this category has slipped, although not significantly, from 48% to 45% in the past three years. ■

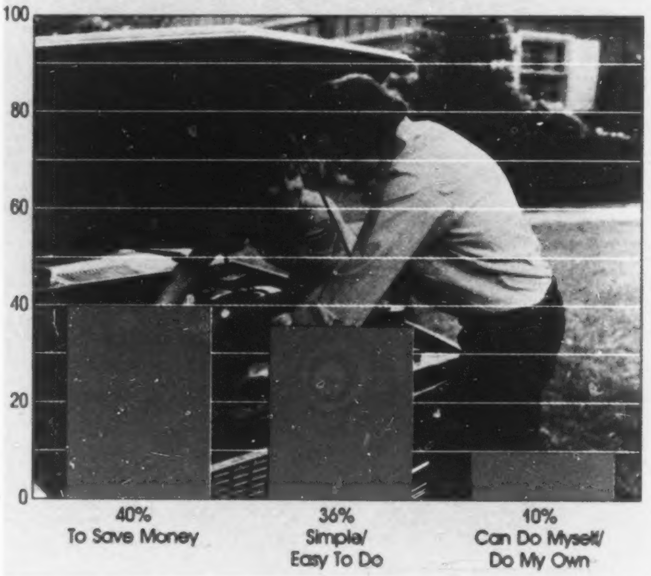
WIPERS/BLADES PURCHASE BY OUTLET TYPE
Where did wipers/blades installers last buy the product: Comparing the major changes from 1988 to 1985.



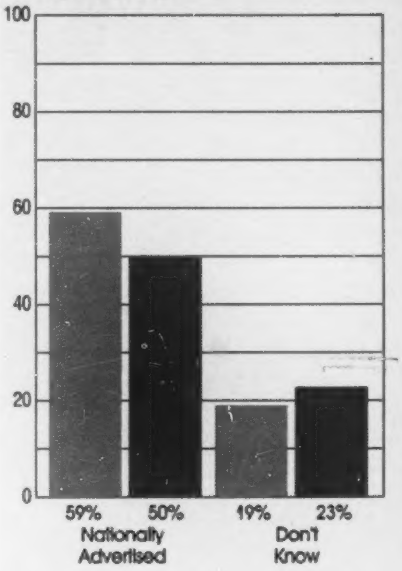
REASON FOR PURCHASING WIPERS/BLADES AT SPECIFIED OUTLET
Why did wipers/blades installers buy the product where they did: Comparing the major changes from 1988 to 1985.



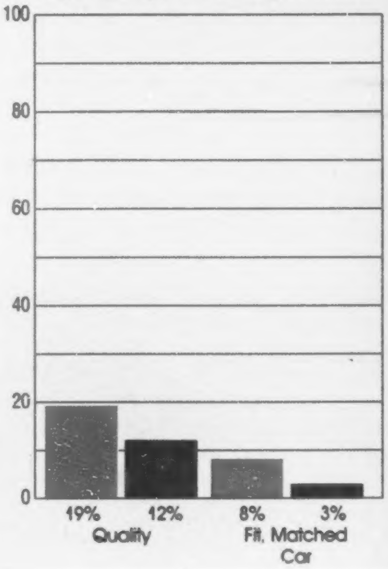
WHY THEY DIY
We asked our 1988 DIYers why they installed wipers/blades themselves. Here are their top three reasons.



WIPERS/BLADES PURCHASE INCIDENCE/INFLUENCES
What type of brand of wipers/blades did the installer buy: Comparing the major changes from 1988 to 1985.



Why did the installer purchase the type of brand he did: Comparing the major changes from 1988 to 1985.



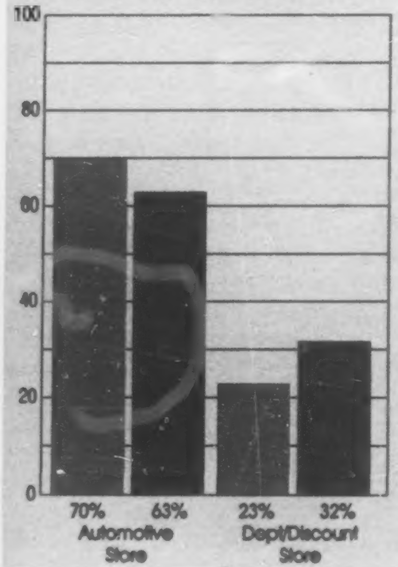
▨ 1988
■ 1985

CONSUMER AUTOMOTIVE REPAIR STUDY

BODY FILLER

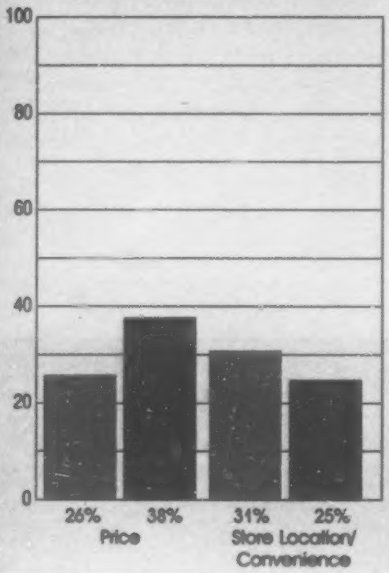
BODY FILLER PURCHASE BY OUTLET TYPE

Where did body filler installers last buy the product: Comparing the major changes from 1988 to 1985.



REASON FOR PURCHASING BODY FILLER AT SPECIFIED OUTLET

Why did body filler installers buy the product where they did: Comparing the major changes from 1988 to 1985.



It's obvious that the continuing change to thinner metals and modern body materials on new cars has seriously affected the body filler market. We found just half as many DIYers who purchased and installed body filler in 1988 as we did in 1985.

There is, however, good news with the bad. The *CARS* study suggests that the purchaser of body filler is a very serious DIYer who has a major car restoration and maintenance project, rather than being a simple vehicle maintainer. Body filler DIYers are overwhelmingly male (88%), young (37% under 25 and 22% between 25 and 34), and make less than $20,000 annually. This suggests a young man with an old car – the auto parts store's favorite customer – is the prime buyer of body filler.

This is the kind of person who knows what has to be done with his car and plunges ahead with the job. He's not terribly influenced by advertising when deciding to buy the product – 83% said they weren't so influenced. And, even among those who did, the major media that was noticed by body filler purchasers was an in-store display.

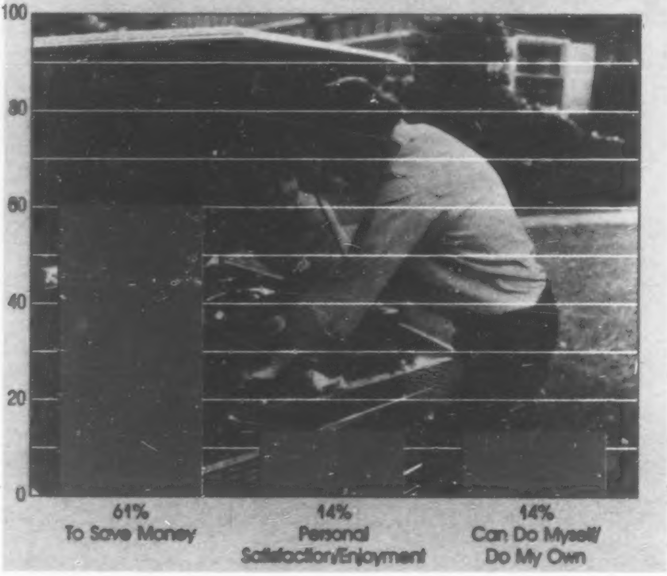
Obviously, they'd already decided to buy the product (88% planned to buy it before going to a store) and were simply looking in the store for it. Also, they didn't shop around: 80% said they did not comparison shop for body filler. So, most of them knew the store before going.

This is verified in the answers of why they bought the product where they did. Some 31% bought body filler where they did because the store was conveniently located; another 26% said the store offered the lowest prices around. Just about the same percentage (25%) bought the type of body filler they did because of its cheap price: More DIYers gave that as an answer for why they bought what they did than any other answer.

So, while body filler might not be a major best selling product, it's an important part of a product mix that appeals to the most important single customer an auto parts or chain store can have – the young maintainer of an older car, with somewhat less income than the national average, who must spend money on his car just to keep it running and wants it to look good. Price, at least the image of low price, is the key to attracting this valuable customer. ■

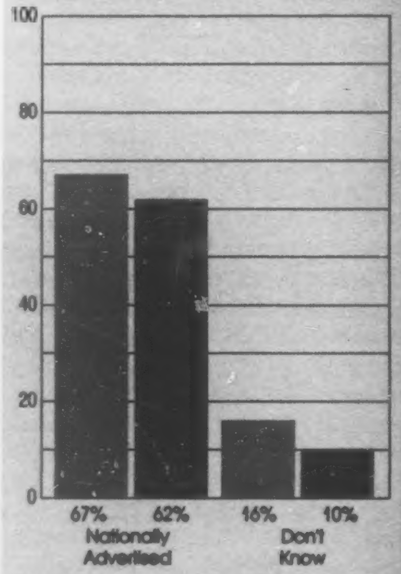
WHY THEY DIY

We asked our 1988 DIYers why they installed body filler themselves. Here are their top three reasons.

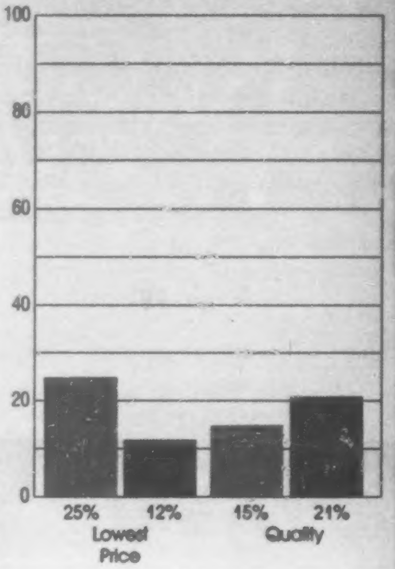


BODY FILLER PURCHASE INCIDENCE/ INFLUENCES

What type of brand of body filler did the installer buy: Comparing the major changes from 1988 to 1985.



Why did the installer purchase the type of brand he did: Comparing the major changes from 1988 to 1985.



▨ 1988
■ 1985

CONSUMER AUTOMOTIVE REPAIR STUDY

PAINT

Maybe it's because of the formulas used for new vehicle paints these days, but the automotive parts retailer lost very significant paint sales to car dealerships these past three years. In 1985, 53% of the automotive DIYers who bought and used paint on the vehicles they maintain bought the product at auto parts stores. This year, the percentage slipped an alarmingly 12%, to 41%. And the dealerships, at 8% of our DIY market tally three years ago, tripled their share to 25% of the buy-and-brush-or-spray market. Outlets such as discount and department stores and body shops stayed near the same share of market (SOM) they had in our *CARS* study three years ago.

The percentage of paint purchase overall between the two studies had slipped to 13% in 1988 from the 19% in 1985. That, too, may be explained by the new clear coat finishes on vehicles.

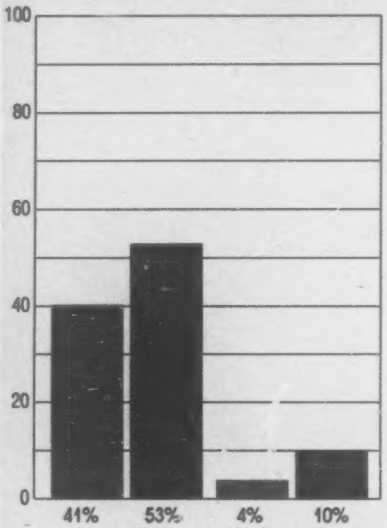
The DIYers purchasing and using automotive paint are male (81%), younger than 35 (53%), and spend between one and five hours working on cars and trucks each month (48%). While a quarter of them make less than $20,000 per year, a quarter (27%) also make more than $40,000 a year. Nearly half of the buyers in this product category who bought their paint at a dealership make more than $40,000. Their purchases may be touch-up items for new vehicles.

Advertising doesn't draw their attention much. Only 12% said advertising influenced their purchase. Of that small group, store messages in the media were noticed by 61%, and in-store promotion such as shelf-talkers or other POS items drew the attention of 41%. People purchased where they first saw the paint: 93% of our respondents did not comparison shop for paint, and nine out of ten bought as part of a planned purchase.

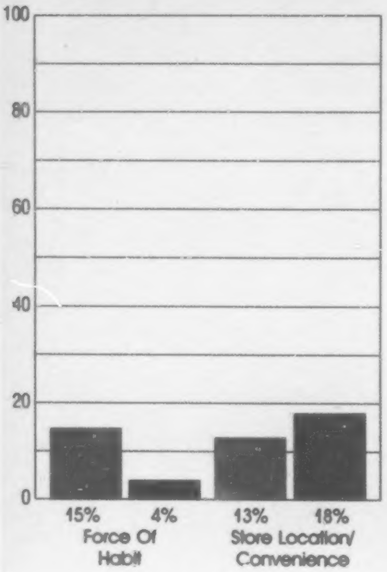
Our painters bought the product where they did because of the product selection (40%), because of price (20%) and because of habit (25%). And they bought a nationally advertised brand in 61% of the instances vs. a store brand (18%).

Outlook for the category? Watch for the manufacturers to promote tomorrow's touch-up and replacement paint for today's (and tomorrow's) clear coat finishes. ■

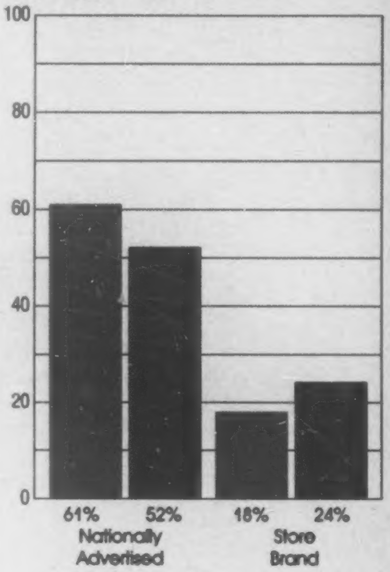
PAINT PURCHASE BY OUTLET TYPE
Where did paint installers last buy the product: Comparing the major changes from 1988 to 1985.



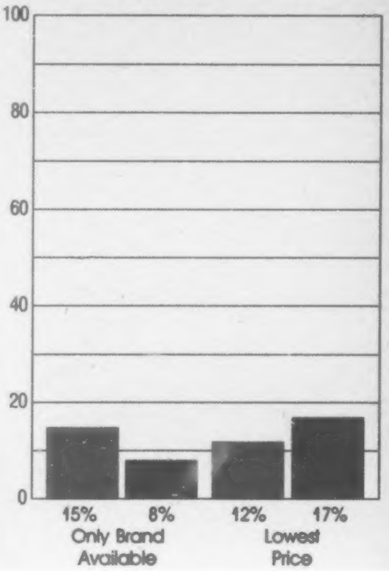
REASON FOR PURCHASING PAINT AT SPECIFIED OUTLET
Why did paint installers buy the product where they did: Comparing the major changes from 1988 to 1985.



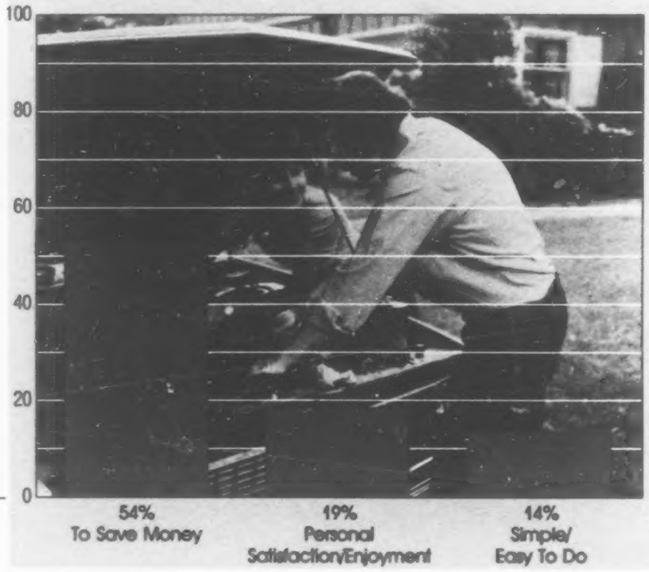
PAINT PURCHASE INCIDENCE/ INFLUENCES
What type of brand of paint did the installer buy: Comparing the major changes from 1988 to 1985.



Why did the installer purchase the type of brand he did: Comparing the major changes from 1988 to 1985.



WHY THEY DIY
We asked our 1988 DIYers why they installed paint themselves. Here are their top three reasons.



■ 1988
■ 1985

CONSUMER AUTOMOTIVE REPAIR STUDY

OIL

Oil DIYers, now more than in 1985, consider price when buying oil.

In 1985, when we asked oil DIYers why they purchased a particular brand of oil, the major reason was quality (30%), followed by price (23%). Yet today price is the top reason for buying a particular brand of oil (27%), followed closely by quality (23%).

The typical DIYer, in 1988, continues to do very little comparison shopping for oil. Though down slightly from 91% in 1985 to 87% in 1988, DIYers, overwhelmingly, prefer to buy nationally advertised brands of oil. And, as stated before, DIYers are consider price before quality when purchasing oil.

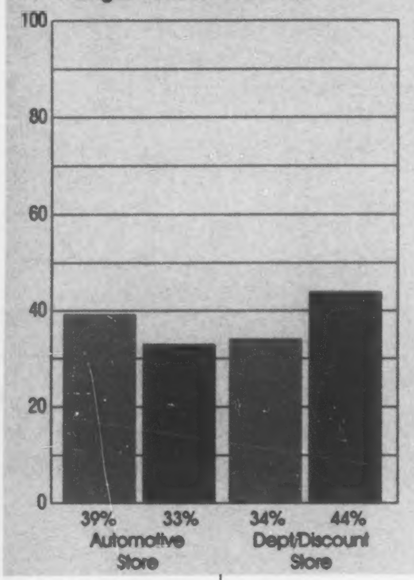
The average oil DIYers we spoke to for this year's study were male (71%), between 25 and 34 years of age (32%), and were light DIYers, spending five hours or less a month doing DIY work. Ninety-six percent of the DIYers said that they were very likely to install the product again.

The number of oil DIYers influenced by advertising dropped from 44% in 1985 to 40%. When asked what kind of advertising influenced the buyer the most, 57% of the DIYers responded that store media advertising did, a sharp drop from 68% in 1985. Yet the percentage of DIYers who were influenced by advertising who said they noticed in-store forms of advertising increased, up from 15% to 22%. More of them noticed store circulars, up from 11% in 1985 to 16%, and more of them noticed shelf/floor displays, up from 4% 1985 to 10% in 1988.

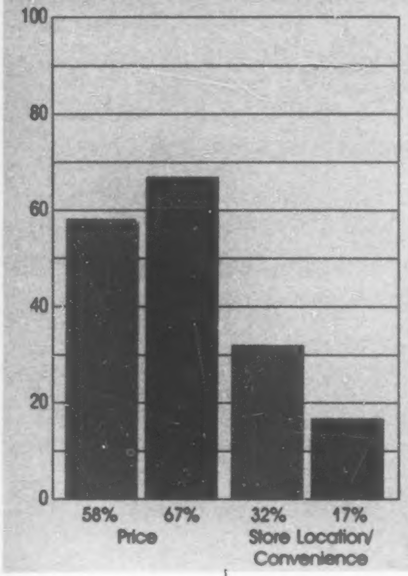
Thirty-nine percent of the DIYers buy their oil products from automotive stores, 6% more than in 1985. And there was a sharp drop from 34% to 22% in the number of DIYers purchasing oil products at discount stores, a surprising change considering that price is the number one reason why DIYers purchase an oil product.

Overall, DIYers in 1988 are concerned with the same obvious factors when deciding to buy oil. DIYers want quality oil at the lowest possible prices. ■

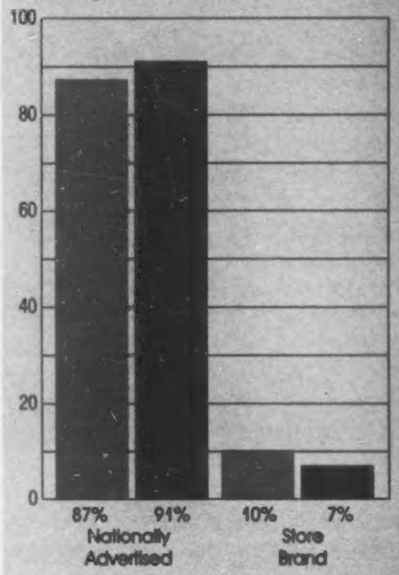
OIL PURCHASE BY OUTLET TYPE
Where did oil installers last buy the product: Comparing the major changes from 1988 to 1985.



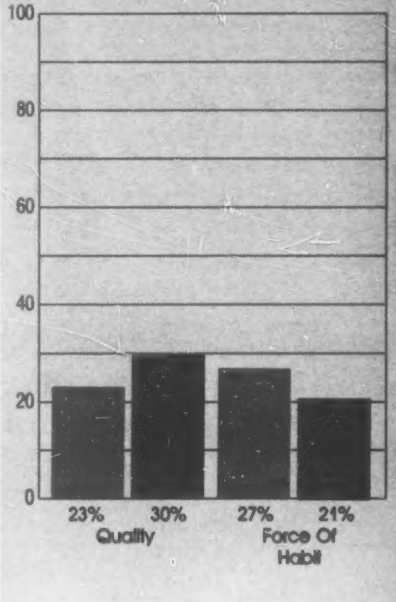
REASON FOR PURCHASING OIL AT SPECIFIED OUTLET
Why did oil installers buy the product where they did: Comparing the major changes from 1988 to 1985.



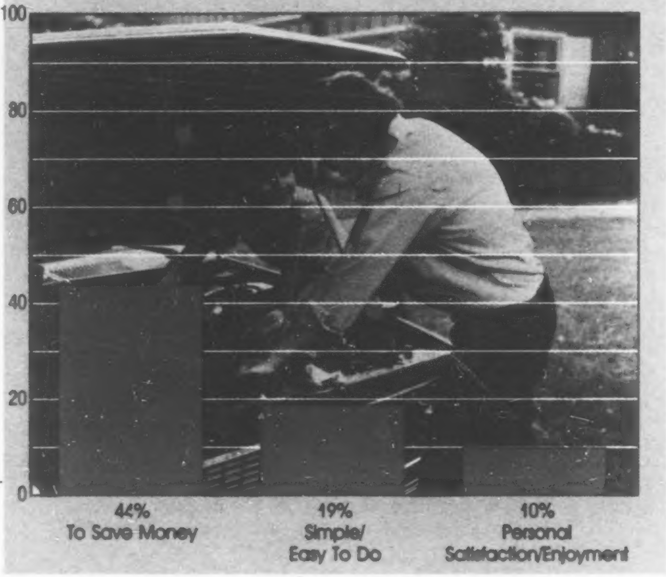
OIL PURCHASE INCIDENCE/ INFLUENCES
What type of brand of oil did the installer buy: Comparing the major changes from 1988 to 1985.



Why did the installer purchase the type of brand he did: Comparing the major changes from 1988 to 1985.



WHY THEY DIY
We asked our 1988 DIYers why they installed oil themselves. Here are their top three reasons.

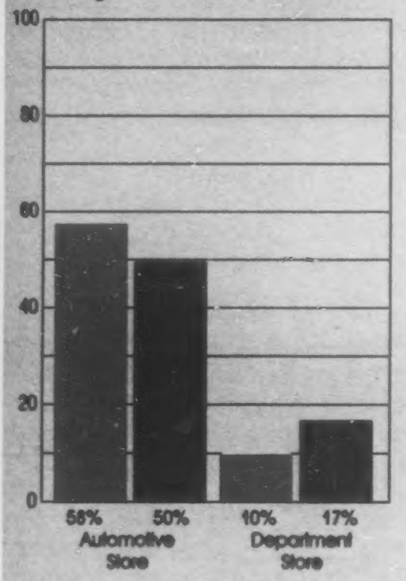


▨ 1988
■ 1985

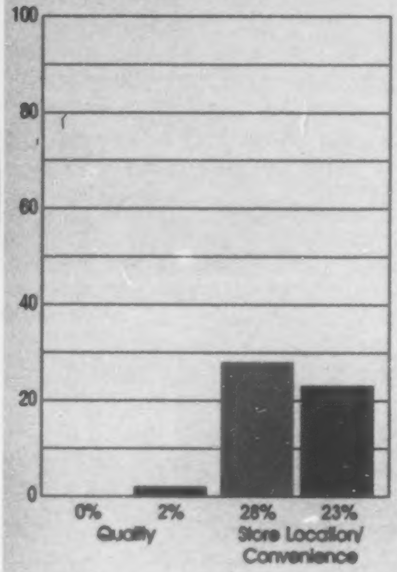
CONSUMER AUTOMOTIVE REPAIR STUDY

OIL FILTERS

FILTER PURCHASE BY OUTLET TYPE
Where did filter installers last buy the product: Comparing the major changes from 1988 to 1985.



REASON FOR PURCHASING FILTERS AT SPECIFIED OUTLET
Why did filter installers buy the product where they did: Comparing the major changes from 1988 to 1985.



Oil filter DIYers installed their own filters to save money and because it is an easy job.

Some 73% of *CARS* DIYers in 1988 said doing it themselves was a way to save money or that it was an easy thing to do. It wasn't surprising then, to see that 46% of the DIYers buy the lowest priced oil filters and that 90% of the respondents said they would very likely be installing filters again, down slightly from 93% in 1985.

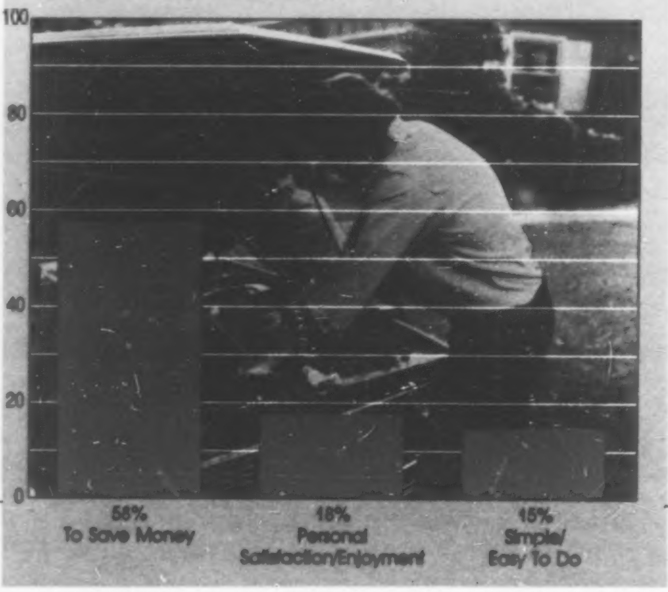
The largest percentage of filter DIYers we talked to were male (84%), younger than 51-years-old (51%), and usually spend between one and five hours a month on DIY. Forty-three percent of the filter DIYers said they planned to increase their level of involvement in DIY. Over 67% of the respondents owned two or more vehicles.

DIYers continue to buy nationally advertised brands of filters, 72% today vs. 71% in 1985. They buy fewer store brand filters, 21% today vs. 23% in 1985. They did buy a few more generic filters, however, 4% today vs. 2% in 1985. And 46% of these DIYers chose the lowest priced product, an increase from only 27% in 1985.

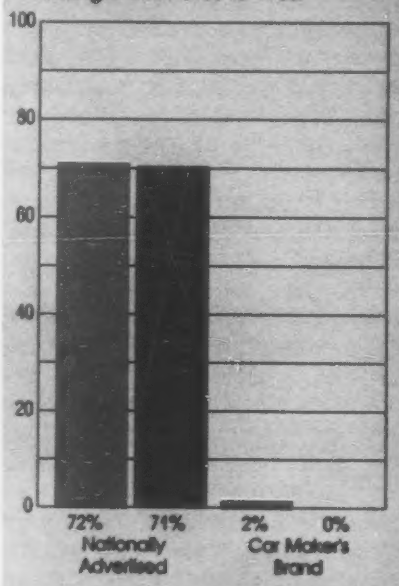
This year, DIYers were buying considerably more oil filters from automotive stores (58% today vs. 50% in 1985), slightly more from discount stores (27% vs. 24% in 1985), but fewer filters from department stores (10% today vs. 17% in 1985). And 28% of the DIYers chose their filter outlet because it was convenient.

The same percentage of DIYers in 1988 comparison shopped for oil filter as did in 1985 (30%). This year, 84% of DIYers planned the purchase of filter products, a sharp decrease from the 91% who planned their purchases in 1985. This year, slightly more DIYers (38%) were influenced by advertising than in 1985 (36%). Yet, in both 1988 and 1985, 61% of those influenced by ads said they noticed media advertising by stores. But slightly more DIYers noticed in-store advertising this year (16%) and shelf/floor displays (9%) than in 1985 (14% and 6% respectively), showing that in-store advertising plays an important role in the DIYer's decision to buy filters. ■

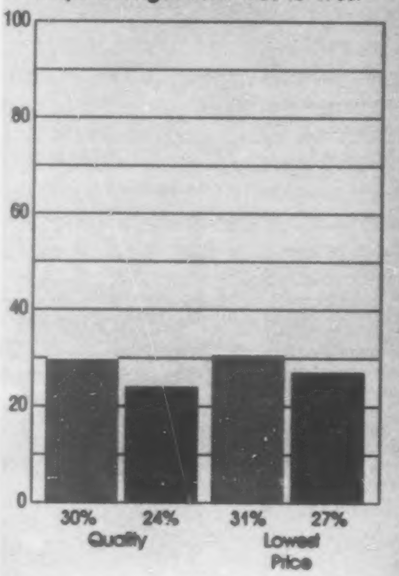
WHY THEY DIY
We asked our 1988 DIYers why they installed filters themselves. Here are their top three reasons.



FILTERS PURCHASE INCIDENCE/ INFLUENCES
What type of brand of filters did the installer buy: Comparing the major changes from 1988 to 1985.



Why did the installer purchase the type of brand he did: Comparing the major changes from 1988 to 1985.



■ 1988
■ 1985

CONSUMER AUTOMOTIVE REPAIR STUDY

WAX/POLISH

Wax and polish DIYers returned to the automotive chain stores to buy these products, but fewer of them than before seem to enjoy making their vehicle look good.

This year, 42% of wax and polish DIYers bought the products in an auto store, a sharp up-turn from the 34% who purchased the products there in our *CARS* study published in March, 1985. In that study, 46% of the DIYers bought the product in department or discount stores; only 39% did so this year.

The other significant difference between this year and 1985 is that slightly fewer of the DIYers we spoke to for this study purchased nationally advertised brands than did so back in 1985, 90% vs. 95%. More of this year's crop of appearance-aware DIYers bought a brand because it had the lowest price, 14% today vs. 10% in 1985; and fewer of them selected a brand because it was well-known, 11% today vs. 13% in 1985.

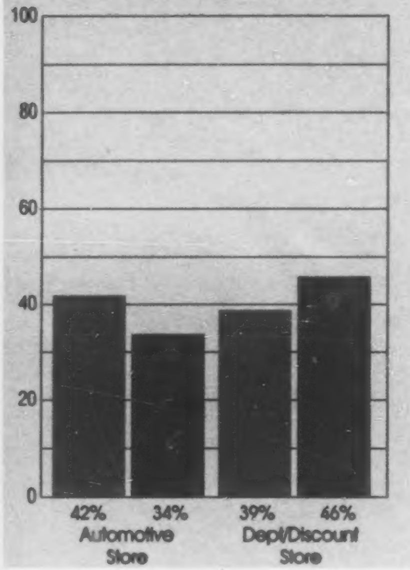
The wax and polish DIYers we spoke to for this year's study were male (68%), between 25 and 44 years of age (55%), and, for the most part, were light DIYers spending five hours or less doing DIY work each month (73%). Some 37% of these DIYers said they planned to increase their DIY involvement.

This year, when we asked these DIYers why they bought the brand they did, 7% said they bought it because of advertising, only 1% fewer than in 1985. However, when we asked them if their purchase was influenced by any advertising 32% said yes, their purchase was influenced by advertising. What type of advertising did these DIYers notice? They noticed media advertising by the store (62%), in-store advertising (20%), and shelf or floor displays (12%). Interestingly enough, only 26% of these wax and polish DIYers said they comparison shopped for the products. Another 29% said their appearance chemical products buy was an impulse purchase.

Obviously, wax and polish DIYers do pay attention to product promotion, particularly in-store advertising. Perhaps that is what brought them back to the automotive chain stores to make their wax, polish, and protectant purchases. ■

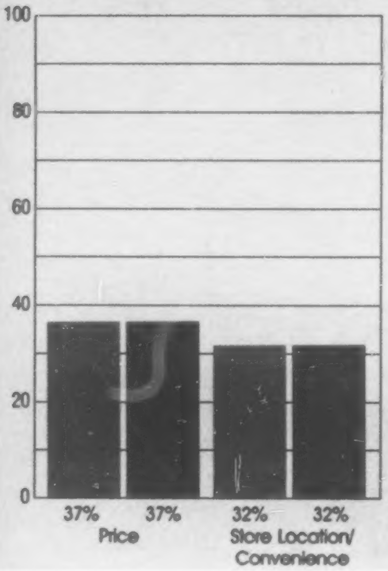
WAX/POLISH PURCHASE BY OUTLET TYPE

Where did wax/polish installers last buy the product: Comparing the major changes from 1988 to 1985.



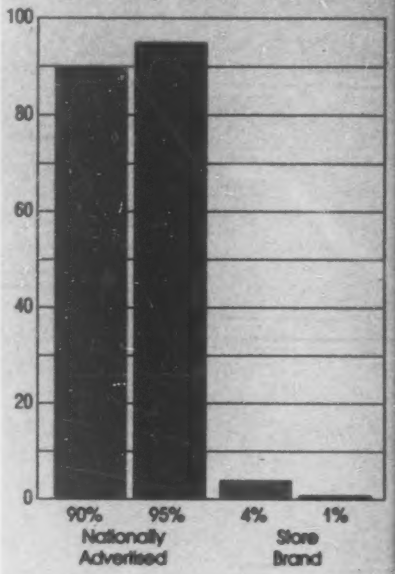
REASON FOR PURCHASING WAX/ POLISH AT SPECIFIED OUTLET

Why did wax/polish installers buy the product where they did: Comparing the major changes from 1988 to 1985.

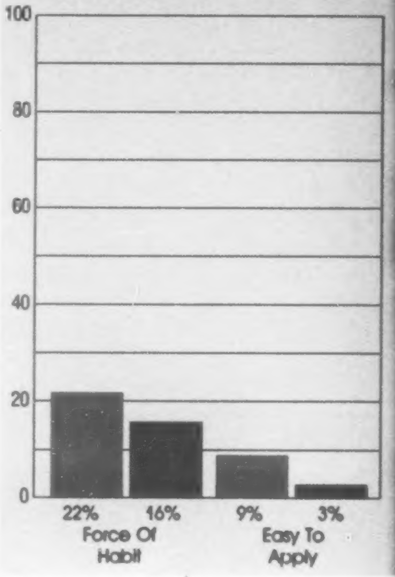


WAX/POLISH PURCHASE INCIDENCE/ INFLUENCES

What type of brand of wax/polish did the installer buy: Comparing the major changes from 1988 to 1985.

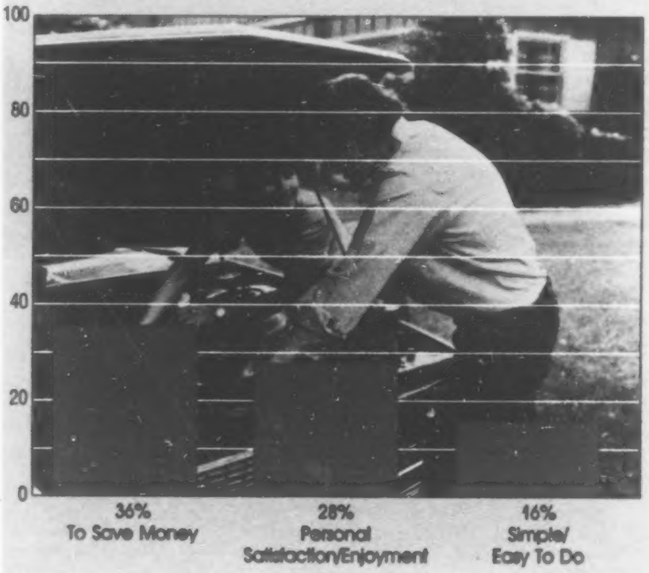


Why did the installer purchase the type of brand he did: Comparing the major changes from 1988 to 1985.



WHY THEY DIY

We asked our 1988 DIYers why they installed wax/polish themselves. Here are their top three reasons.



■ 1988
■ 1985

CONSUMER AUTOMOTIVE REPAIR STUDY

APPEARANCE CHEMICALS/PROTECTANTS

You might think that most DIYers buy appearance chemicals as impulse items. Sorry, Charlie, that's not the case. In fact, 71% of DIYers who purchase and apply their own appearance chemicals sauch as protectants went into a store intending to buy some sort of product from this category.

What sort of DIYer is the appearance chemical user? Mostly, he's male (71%), between 25 and 34 years old (35%), making $30,000 to $40,000 annually (27%), who spends one to five hours a month on vehicle maintenance (62%). These DIYers are evenly divided between those who maintain one and those who maintain two vehicles (37% each). And, most of them (44%) increased the amount of automotive DIY work they've done within the past year.

Consumer advertising is very heavy in the appearance chemical industry. Therefore, we were not surprised to find a larger percentage than normal of DIYers saying they were influenced by advertising in deciding what type of appearance chemical product they bought. In all, 30% said they were so influenced. And, 93% said they bought some national brand of appearance chemical product.

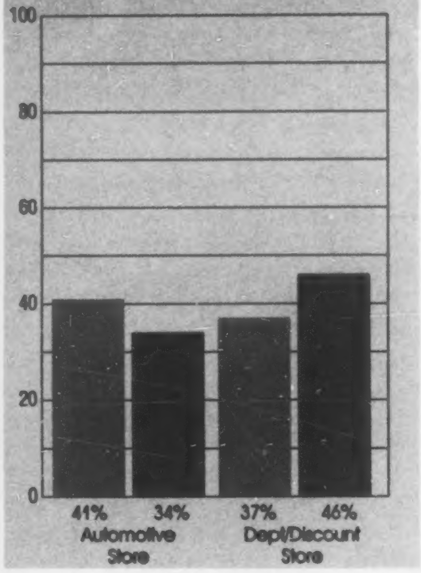
However, much of this effective advertising is obviously done at the retail level, since 81% of those who were influenced by advertising told us that the advertising they noticed was done by a store rather than a manufacturer. And, few of them said they noticed any displays or advertising material in the store.

That's possibly because most appearance chemical buyers look for the store's chemical section rather than displays. Most of them (71%) planned to buy such a product before going to a store and selected where they bought the product according to the store's convenient location (36% gave this as their reason for buying where they did).

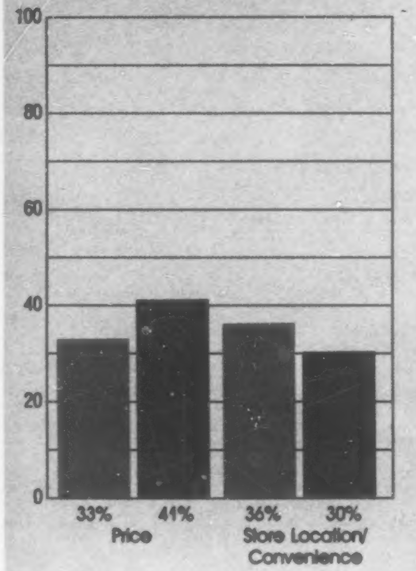
On the other hand, once in the store and looking at the shelves of available chemical products, most (32%) bought the product they did because of its quality. Another 17% said they chose a "well-known brand." And, only 6% picked the product they did because of its low price.

The key to selling appearance chemicals, then, appears to be offering and promoting—but not necessarily by the use of sale prices—known national brands. ■

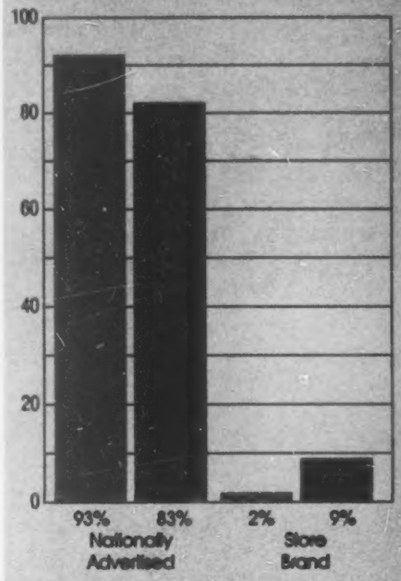
APPEARANCE CHEMICALS PURCHASE BY OUTLET TYPE
Where did appearance chemicals installers last buy the product: Comparing the major changes from 1988 to 1985.



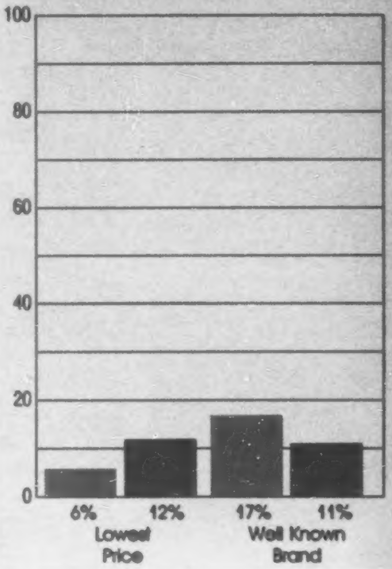
REASON FOR PURCHASING APPEARANCE CHEMICALS AT SPECIFIED OUTLET
Why did appearance chemicals installers buy the product where they did: Comparing the major changes from 1988 to 1985.



APPEARANCE CHEMICALS/PURCHASE INCIDENCE/INFLUENCES
What type of brand of appearance chemicals did the installer buy: Comparing the major changes from 1988 to 1985.



Why did the installer purchase the type of brand he did: Comparing the major changes from 1988 to 1985.



WHY THEY DIY
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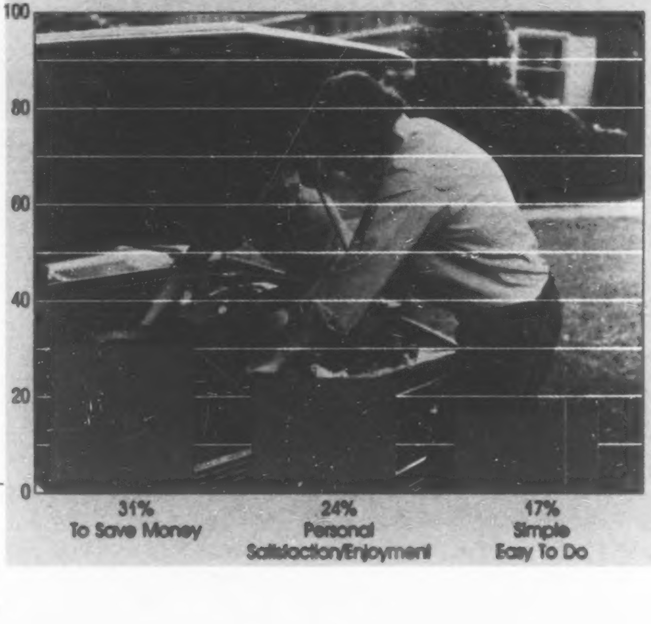


■ 1988
■ 1985

CONSUMER AUTOMOTIVE REPAIR STUDY

COOLING SYSTEM PARTS

Cooling system parts include fanbelts, hoses, thermostats, water pumps, or even complete replacement radiators. Of 1988 *CARS* DIYers, some 31% bought and installed a cooling system part, down from 42% in 1985.

Almost 10% of these DIYers were females, which is a good showing for hard parts. Other demographics: Some 30% were under 25 and 28% made under $25,000. A majority of 60% worked less than five hours a month on DIY tasks.

For 55%, saving money was the leading reason for installing the product. The second reason for self-installation was personal satisfaction for 20% of DIYers.

Some 12% of DIYers said the job was easy. Perhaps for this reason some 81% say they will install a cooling system part again. Just a very few—2%— were put off enough to say they were not likely to do the job again.

We did not get a fix on whether or not some of these purchases were emergency repairs. Belt and hose replacement, for example, is the third leading cause of highway calls, according to the AAA. However, fully 88% said the purchase was planned so it seems *CARS* DIYers practice some preventive maintenance, buying replacements before they're needed.

The auto parts store was the outlet of choice for 77% of cooling system installers. But, strangely, the second most named outlet was the service station with 9%. More *CARS* DIYers chose gas stations than chose discount or department stores.

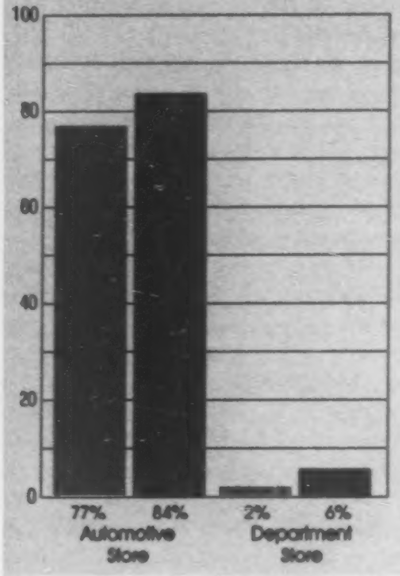
Obviously, price is not a key factor—we found that only 26% chose the outlet because of price. A convenient location was the leading reason for buying from a particular outlet, according to 38% of *CARS* DIYers. Only 18% bothered to comparison shop for a cooling system part.

Advertising had very little influence on DIYers. Just 13% said they were influenced by advertising. The overwhelming majority (79%) of those who were influenced by advertising paid attention to a store's media advertising. A smaller number—12%—were influenced by an in-store display.

Although national brands sold the best, with46% of purchasers, store brands drew 33%. At 27%, the leading reason for choosing a brand was that it was the only one available. Price and quality, each with 14%, were less important. ■

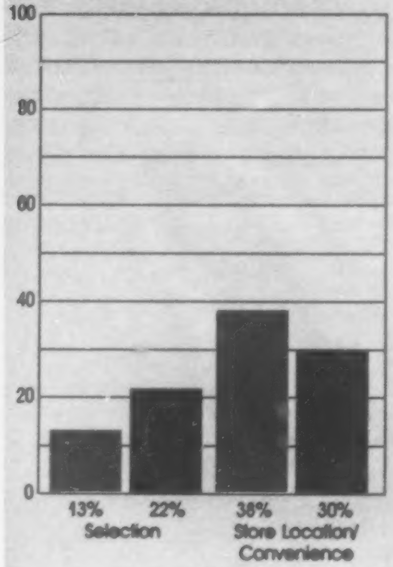
COOLING SYSTEM PARTS PURCHASE BY OUTLET TYPE

Where did cooling system parts installers last buy the product: Comparing the major changes from 1988 to 1985.



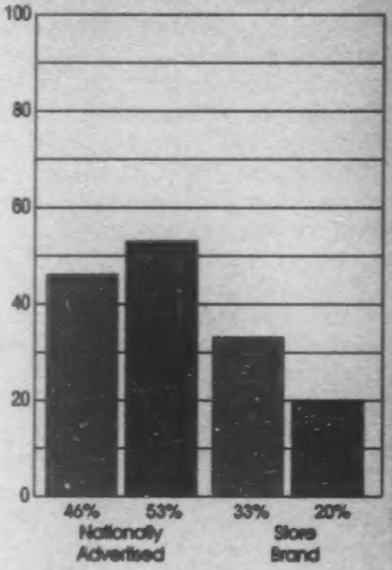
REASON FOR PURCHASING COOLING SYSTEM PARTS AT SPECIFIED OUTLET

Why did cooling systems parts installers buy the product where they did: Comparing the major changes from 1988 to 1985.

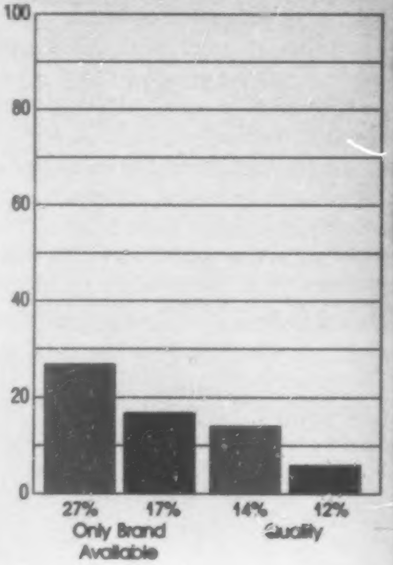


COOLING SYSTEM PARTS PURCHASE INCIDENCE/INFLUENCES

What type of brand of cooling system parts did the installer buy: Comparing the major changes from 1988 to 1985.

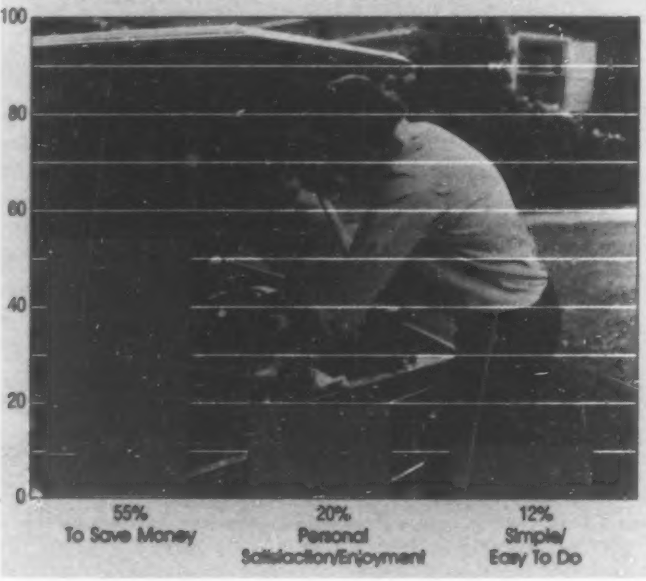


Why did the installer purchase the type of brand he did: Comparing the major changes from 1988 to 1985.



WHY THEY DIY

We asked our 1988 DIYers why they installed cooling system parts themselves. Here are their top three reasons.



■ 1988
■ 1985

CONSUMER AUTOMOTIVE REPAIR STUDY

ELECTRONIC ACCESSORIES

Electronic accessory DIYers are more interested in price, quality, and brand name than ever before when it comes to purchasing such items as security devices, add-on cruise controls, radar detectors, and other plug-them-into-the-cigarette-lighter items.

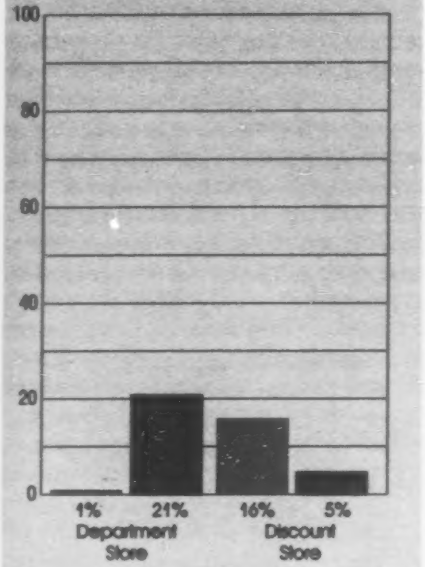
This year, 27% of electronic accessory DIYers said lowest price was the reason they purchased a particular *brand* of product, an increase from the 21% who said the same thing in our *CARS* study published in March, 1985. This year, 38% of the DIYers said that quality was the reason they purchased a certain *brand*, a sharp increase from the 28% who mentioned quality as the reason to buy a brand in 1985. And this year, 18% said they bought a product because it had a well-known brand name compared to only 9% who said so in 1985.

Electronic accessory DIYers also changed their minds about the importance of selection when it came to the outlet where they purchased their equipment. This year, only 5% of those interviewed said selection of product was the reason they bought from a certain outlet. In 1985, 19% said a store's selection was important in determining where they made their purchase. Interestingly, this year almost the same number of DIYers said they purchased their equipment from "other" outlets – including electronics stores, stereo/audio stores, and mail order catalogs – as did in 1985, 50% today vs. 51% then. This year, 20% said they bought their gadgets in automotive chain stores; 23% said so in 1985.

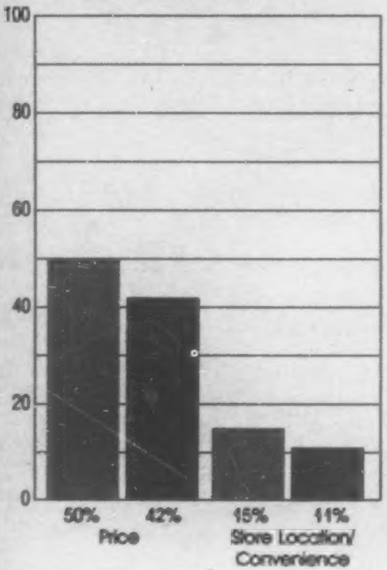
The electronic accessory DIYers we spoke to for this year's study were overwhelming male (84%), young (43% were younger than 35 years of age), and, almost all (81%) were medium to heavy DIYers spending between one to ten hours doing DIY work each month. A strong 65% of these DIYers said they planned to increase their DIY involvement.

This year, these DIYers were split about advertising. Half said their purchase was influenced by advertising, half said it was not. But 70% of those who noticed ads said they noticed media advertising by stores and 28% said they noticed in-store advertising and circulars. Since 83% of all electronic accessory DIYers planned their electronic accessory purchases and 55% comparisoned shopped, it would pay, then, for automotive chain stores to remind these DIYers of the price and quality of the products they carry. ■

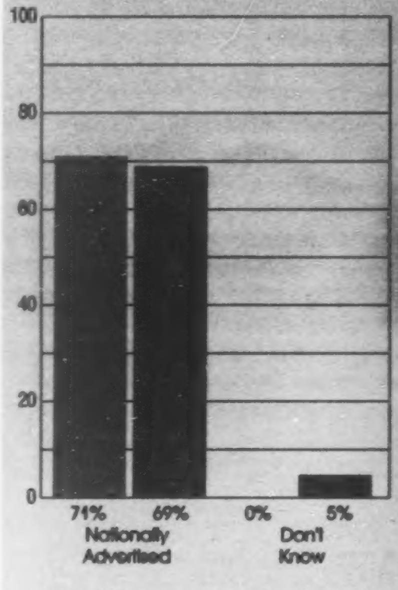
ELECTRONIC ACCESSORIES PURCHASE BY OUTLET TYPE
Where did electronic accessories installers last buy the product: Comparing the major changes from 1988 to 1985.



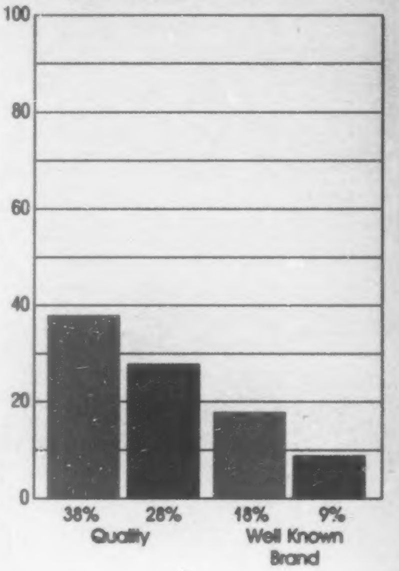
REASON FOR PURCHASING ELECTRONIC ACCESSORIES AT SPECIFIED OUTLET
Why did electronic accessories installers buy the product where they did: Comparing the major changes from 1988 to 1985.



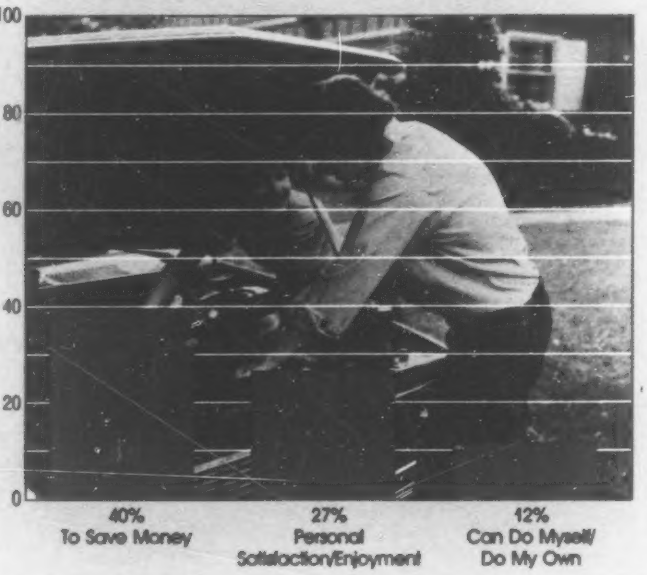
ELECTRONIC ACCESSORIES PURCHASE INCIDENCE/INFLUENCES
What type of brand of electronic accessories did the installer buy: Comparing the major changes from 1988 to 1985.



Why did the installer purchase the type of brand he did: Comparing the major changes from 1988 to 1985.



WHY THEY DIY
We asked our 1988 DIYers why they installed electronic accessories themselves. Here are their top three reasons.



■ 1988
■ 1985

CONSUMER AUTOMOTIVE REPAIR STUDY

CAR SOUND

Car sound DIYers are purchasing what they consider quality products at good prices, but they aren't enjoying the installation process as much as they used to.

This year, 48% of the car sound DIYers said they purchased a particular *brand* of car sound equipment because of its quality, a significant increase over the 37% who mentioned quality as a reason for buying a specific brand in our *CARS* study published in March, 1985. Some 80% of today's car sound DIYers purchased a national brand, down from the 85% who did so in 1985. Slightly more of them purchased the store's own brand, 9% today vs. 7% in 1985.

More of today's car sound DIYers mentioned price as a reason for buying a certain brand (34%) than did so in 1985 (28%). Interestingly, when we asked this year's car sound DIYers why they purchased their car sound equipment at the *outlet* where they did, 62% said it was because of the price, about the same as 1985. About the same number of them said they bought their car sound equipment at an automotive chain store, 15% today vs. 16% in 1985.

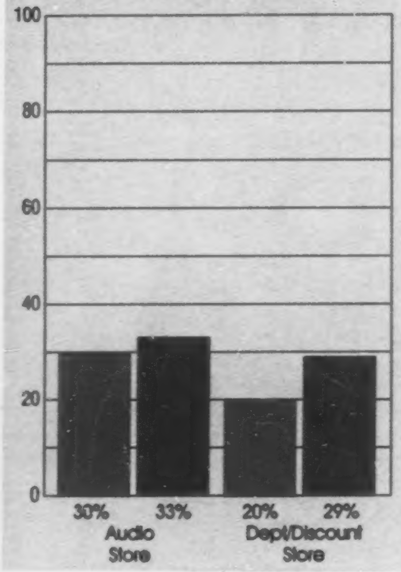
It seems, then, that automotive chain stores are doing a good job of giving car sound DIYers the quality equipment they seek at prices they are willing to pay.

Fewer of today's car sound DIYers said they did the job themselves because they enjoyed it. In our 1985 study, some 21% of the DIYers said they installed their sound systems for personal satisfaction or enjoyment. Only 17% of the DIYers said that this time. Perhaps that because today's car sound DIYers perceived the equipment they purchased as being harder to install; only 9% said they did the job themselves because it was simple or easy to do vs. 14% who said so in 1985.

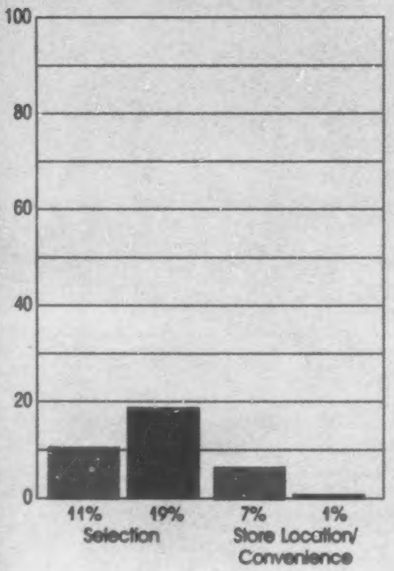
The car sound DIYers we spoke to for this year's study were overwhelmingly male (90%), young (78% of them were younger than 34 years of age), and, for the most part, were medium level DIYers spending between one and ten hours doing DIY work each month (33%). Some 51% of these DIYers said they planned to increase their DIY involvement.

Some 32% said they were influenced by advertising to make their purchase. These DIYers said they noticed media advertising by the store (72%) primairly. Some 63% of all car sound DIYers said they comparison shopped for the products and most (86%) planned their purchase of car sound equipment. ■

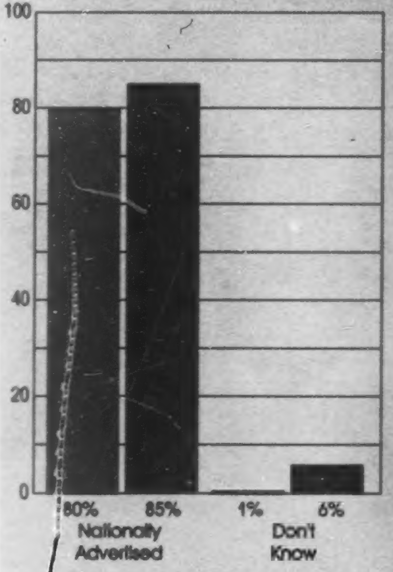
CAR SOUND PURCHASE BY OUTLET TYPE
Where did car sound installers last buy the product: Comparing the major changes from 1988 to 1985.



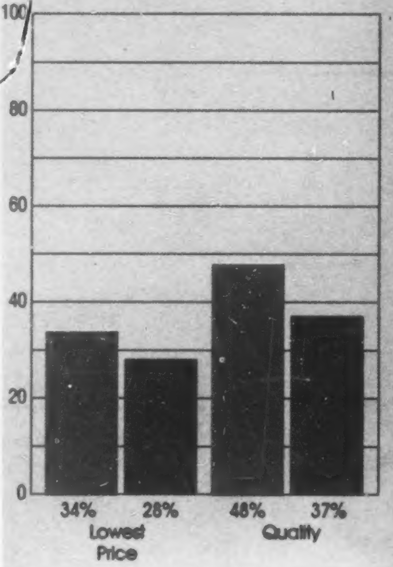
REASON FOR PURCHASING CAR SOUND AT SPECIFIED OUTLET
Why did car sound installers buy the product where they did: Comparing the major changes from 1988 to 1985.



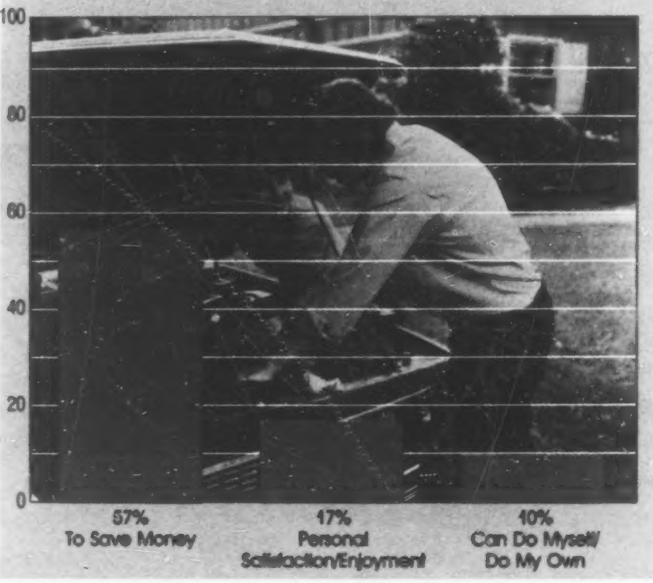
CAR SOUND PURCHASE INCIDENCE/ INFLUENCES
What type of brand of car sound did the installer buy: Comparing the major changes from 1988 to 1985.



Why did the installer purchase the type of brand he did: Comparing the major changes from 1988 to 1985.



WHY THEY DIY
We asked our 1988 DIYers why they installed car sound themselves. Here are their top three reasons.



■ 1988
■ 1985

CONSUMER AUTOMOTIVE REPAIR STUDY

SHOCKS/STRUTS/RIDE CONTROL

Shock/strut DIYers made up 10% of our 1988 *CARS* sample. That's a bit below our 1985 *CARS* when the figure was about 13%. However, 10% is almost exactly the percentage of people from last year's study who both bought and installed either a shock or a strut. So we can say the shock/strut DIY market has remained constant.

Middle-aged men are the key to shock/struts DIY: 98% of shock/strut DIYers were male and 64% were between 25 and 44. Oddly enough, higher income groups also did more shock/strut DIY than might be expected. Some 58% of the shock/strut DIYers made over $30,000.

Some 49% *CARS* DIYers said they did the work to save money. But 21% said they did the work for personal satisfaction or enjoyment. A small number, 10%, said they did the job because it was simple and easy to do. Most importantly, 85% said they were likely to do the job again. Only 6% said it was not at all likely they would do the job again. And, since 31% bought shocks or struts for a foreign car we can see that DIYers are not put off by foreign car repairs.

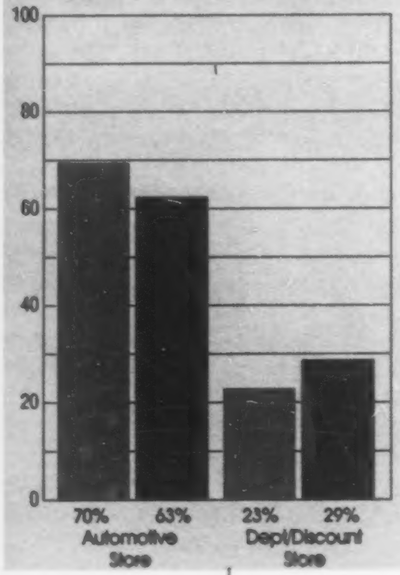
Some 33% of the DIYers said they comparision shopped before buying. When they shopped, some 70% of shock/strut DIYers bought in auto parts stores, while 14% chose department stores, and 9% chose discount stores.

Because most did the job to save money, price at 35%, was the key reason for choosing an outlet. How important a role price plays in choosing an outlet is underlined by the fact that auto parts stores did about 15% worse among DIYers making under $20,000. Twice as many of these DIYers went to department stores. A second reason for choosing a particular outlet was selection (20%) with the outlet's convenient location finishing a close third at 19%.

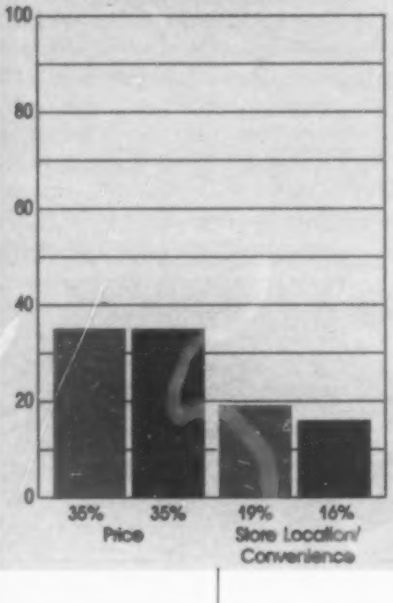
Nationally advertised brands were the favorite buy of most *CARS* DIYers. Some 75% bought a national brand. But 17% thought well enough of a store's private brand to purchase it. In terms of advertising, some 43% said their purchase was influenced by some kind of advertising. A store's media ads were the number one influence at 74%. In-store advertising influenced 17% of the DIYers.

Quality was the most important factor in choosing a brand for 36% of DIYers. Price was second with 24%. A third reason for brand selection was force of habit for 12% of DIYers. ■

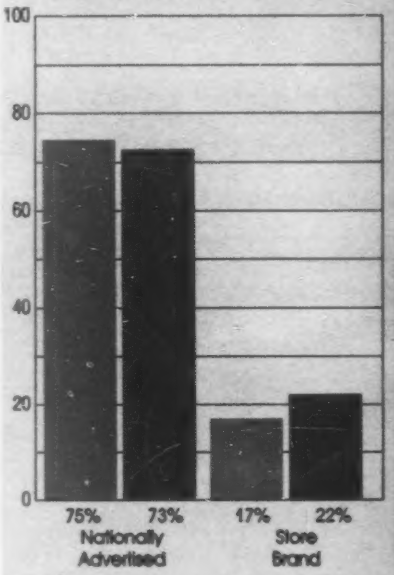
SHOCKS/STRUTS PURCHASE BY OUTLET TYPE
Where did shocks/struts installers last buy the product: Comparing the major changes from 1988 to 1985.



REASON FOR PURCHASING SHOCKS/STRUTS AT SPECIFIED OUTLET
Why did shocks/struts installers buy the product where they did: Comparing the major changes from 1988 to 1985.



SHOCKS/STRUTS PURCHASE INCIDENCE/INFLUENCES
What type of brand of shock/struts did the installer buy: Comparing the major changes from 1988 to 1985.



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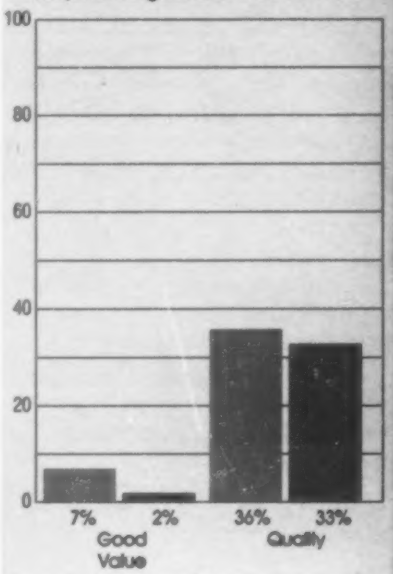
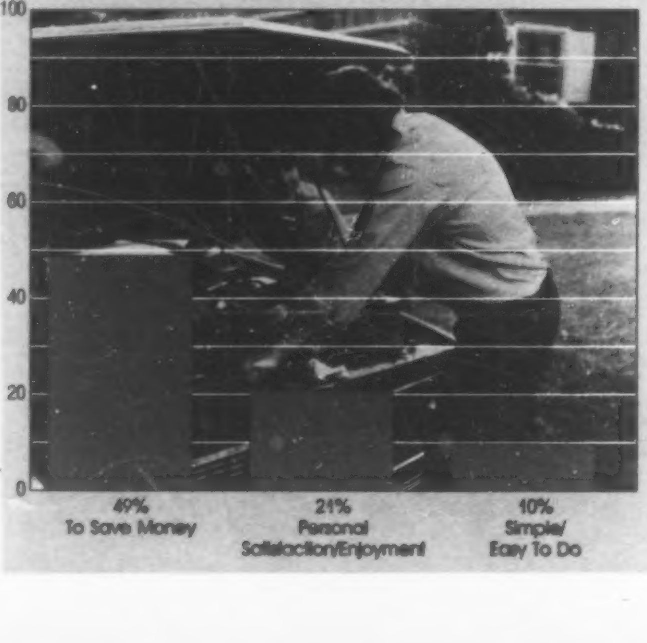


WHY THEY DIY
We asked our 1988 DIYers why they installed shocks/struts themselves. Here are their top three reasons.



■ 1988
■ 1985

CONSUMER AUTOMOTIVE REPAIR STUDY

EXHAUST PRODUCTS

Exhaust products (mufflers or pipes) DIYers continue to thrive despite the continuing growth of specialist shops. The number of DIYers who both bought and installed a muffler or exhaust pipe remained about even with the number who did the same in 1985. This year, it was 8%. However, the percentage is substantially lower than the percentage from our 1985 study when it was close to 19%.

Some demographics on exhaust DIYers: Half (50%) of them own three or more vehicles. About a quarter (26%) made less than $20,000. Almost all (94%) were male. Only 12% were under 25-years-old.

Although 52% did the job to save money, the remaining 47% had no overwhelming, single reason for doing the job. Personal satisfaction (11%) was the second leading reason, with ease of the job (9%) and making sure it was done right (8%) very close behind. However, this seems to be a dedicated DIY group since 79% say they're likely to do the job the next time, while only 8% don't think it's likely they will.

Some 75% of the DIYers bought exhaust products in auto parts stores. Only 29% comparison shopped before deciding on an outlet. It looks as though the muffler specialist is impacting the DIY market in several ways. Not only is the specialist dominating the installed market, but 8% of those who bought and installed their own exhaust bought the products at a muffler shop. That's more than bought in discount and department stores combined (7%).

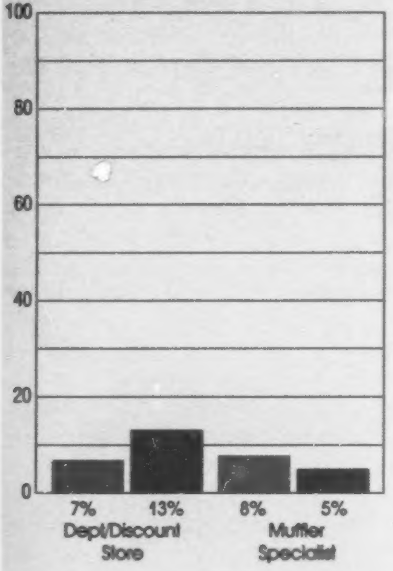
Price is the leading reason for choosing an outlet with 33% of DIYers saying so. However, having a selection of exhaust products to choose from was the next most popular reason with 24%. Location played a key role in whether or not an outlet got the DIYer's business. Some 15% said they bought because the store was convenient, and another 11% said they only had one place to get the product.

Of the installers who owned a foreign car, some 85% bought the exhaust product for a foreign car. Perhaps this is one reason for the importance of location and selection in choosing where to purchase exhaust products.

Advertising had little importance in choosing an outlet. About 57% bought a national brand and 24% chose a store's private label. Price (24%) and quality (23%) were the most important brand decision factors. ■

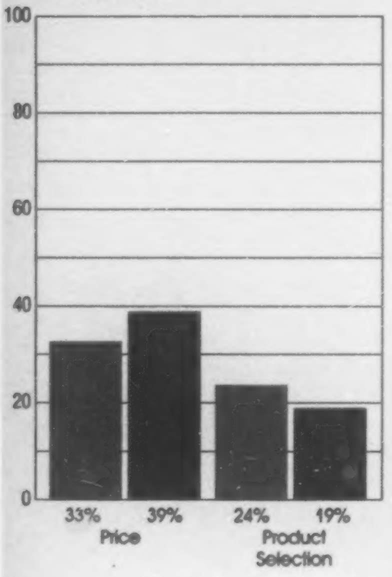
EXHAUST PRODUCTS PURCHASE BY OUTLET TYPE

Where did exhaust products installers last buy the product: Comparing the major changes from 1988 to 1985.



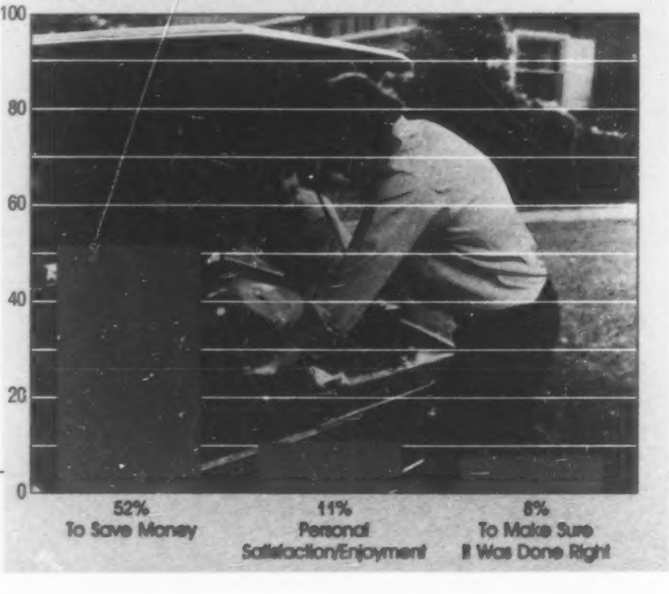
REASON FOR PURCHASING EXHAUST PRODUCTS AT SPECIFIED OUTLET

Why did exhaust products installers buy the product where they did: Comparing the major changes from 1988 to 1985.



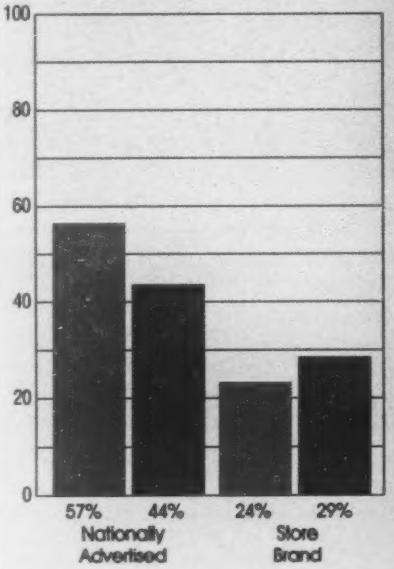
WHY THEY DIY

We asked our 1988 DIYers why they installed exhaust products themselves. Here are their top three reasons.

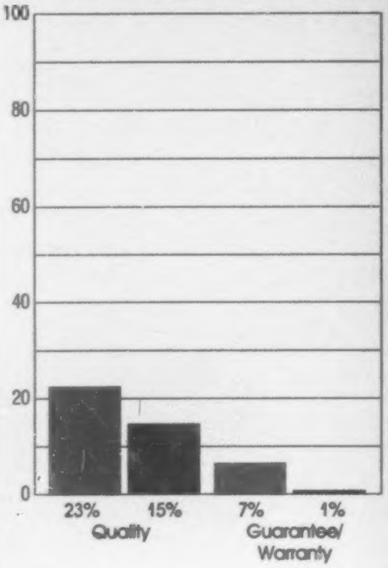


EXHAUST PRODUCTS PURCHASE INCIDENCE/INFLUENCES

What type of brand of exhaust products did the installer buy: Comparing the major changes from 1988 to 1985.



Why did the installer purchase the type of brand he did: Comparing the major changes from 1988 to 1985.

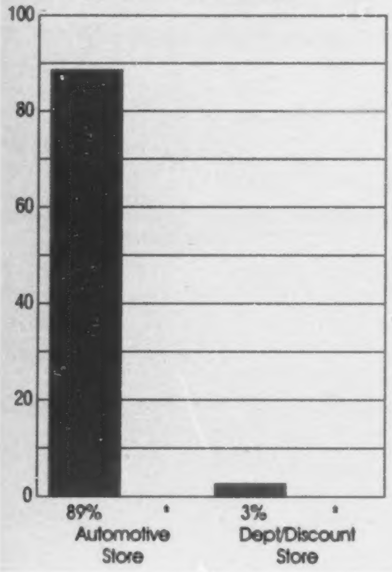


▨ 1988
■ 1985

CONSUMER AUTOMOTIVE REPAIR STUDY

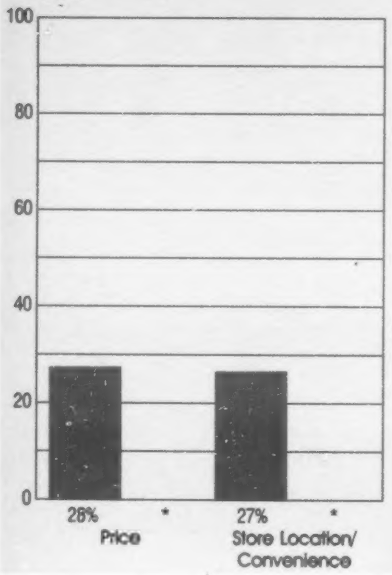
BRAKES

BRAKE PURCHASE BY OUTLET TYPE
Where did brake installers last buy the product: Comparing the major changes from 1988 to 1985.



* No data from 1985

REASON FOR PURCHASING BRAKES AT SPECIFIED OUTLET
Why did brake installers buy the product where they did: Comparing the major changes from 1988 to 1985.



* No data from 1985

Brake products work was done by about one out of every five DIYers surveyed for the 1988 *CARS*. That's not surprising. Installing pads and shoes, or even replacing cylinders, rotors, and calipers remains a fairly easy DIY task. Last year, 42% bought some brake parts and 18% bought and installed brake parts, so the DIY percentage is actually up a bit this year.

The DIYers we spoke with were male (96%), young (57% were under 34), and tended to be more serious DIYers (38% spent more than five hours a month on DIY tasks).

The majority, 56%, of DIYers said they did the job mainly to save money. But there is a strong 22%, a figure that's fairly constant in many DIY categories, that do the job simply because they enjoy the work. And, 12% said they do the work because they want to make sure the job is done correctly. Another 14% gave reasons that used words like "easy," "convenient," and "doesn't take too long." All in all, 85% of those who did the job said they were very likely to do it again.

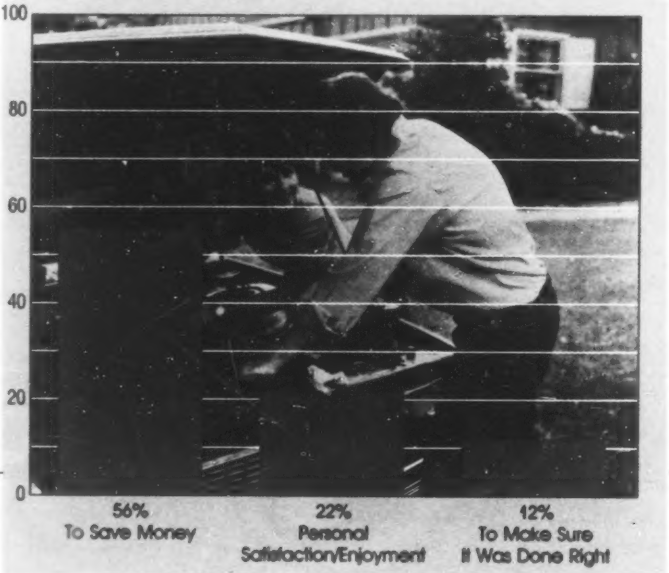
The auto parts store received the overwhelming percentage of DIY business with 89% of *CARS* DIYers buying brake parts in auto parts stores. A very distant second choice were new car dealerships at 3%. Price and convenience were the key factors in choosing an outlet: 28% choose an outlet for price, and 27% chose an outlet for its convenient location.

Interestingly enough, when we questioned only those DIYers maintaining foreign cars, we found that 54% bought brake parts for imports whie the rest bought for domestics.. So the store's selection of parts played a role in the buying decision for 15% of DIYers, while 9% said a particular outlet was the only place to find the part. Also, DIYers seem to be loyal to an outlet; some 12% chose their outlet through force of habit.

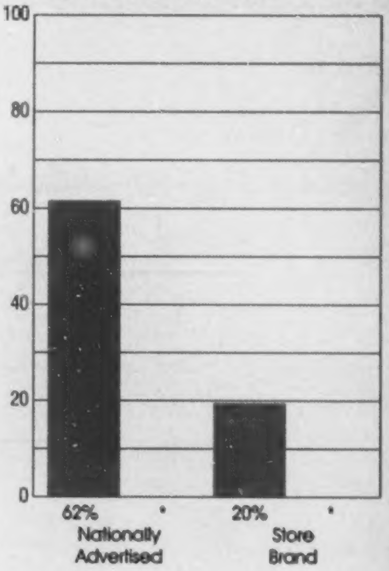
Advertising played only a small part in selling brake parts: just 16% said they were influenced by advertising. And, 76% of those said it was media advertising that influenced them. About 21% comparison shopped for brake parts. The majority, 62%, settled on a national brand. However, one in ten (10%) didn't know what brand they'd bought.

Perhaps because brakes are critical parts in the car, quality was the leading reason for a brand choice, according to 32% of DIYers. Just 18% said price was the deciding factor. However, 14% said the store offered no choice of brands. ■

WHY THEY DIY
We asked our 1988 DIYers why they installed brakes themselves. Here are their top three reasons.

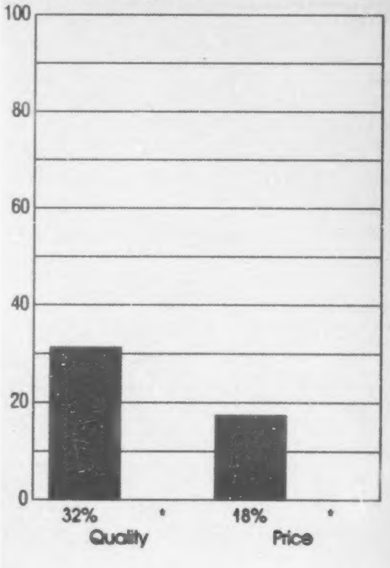


BRAKES PURCHASE INCIDENCE/ INFLUENCES
What type of brand of brakes did the installer buy: Comparing the major changes from 1988 to 1985.



* No data from 1985

Why did the installer purchase the type of brand he did: Comparing the major changes from 1988 to 1985.



* No data from 1985

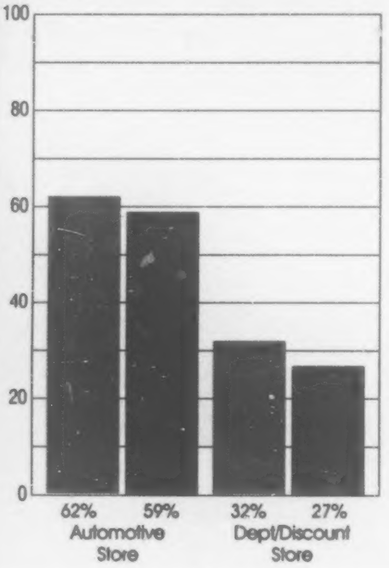
■ 1988
■ 1985

CONSUMER AUTOMOTIVE REPAIR STUDY

LIGHTING

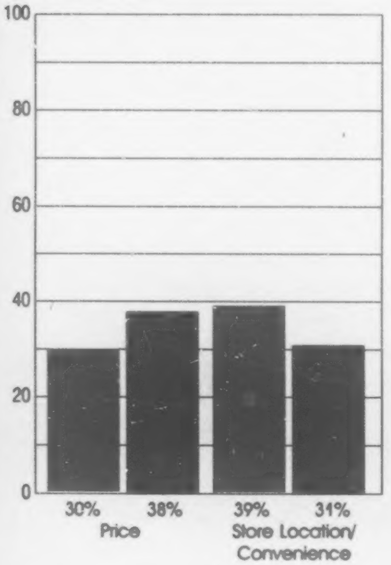
LIGHTING PRODUCTS PURCHASE BY OUTLET TYPE

Where did lighting products installers last buy the product: Comparing the major changes from 1988 to 1985.



REASON FOR PURCHASING LIGHTING PRODUCTS AT SPECIFIED OUTLET

Why did lighting products installers buy the product where they did: Comparing the major changes from 1988 to 1985.



There has been very little change in the attitude of DIYers towards where, what, how, and why they buy lighting products between 1985 and 1988.

Purchasers of these products still tend to be male (87%), young (31% under 25 and 26% between 25 and 34 years old), and varied in income (31% make over $40,000 annually while 26% make between $20,000 and $30,000 annually). Over half (55%) spend between one and five hours a month on vehicle maintenance work, while 45% say they have increased amount of automotive DIY they do over the past year.

This is a group that says it is not influenced by advertising when it comes to buying lighting products in a fairly overwhelming number—84%. Interesting, where there is often a significant difference between men and women DIYers in how many of them say advertising played a role in their purchasing decision, there was virtually no difference in lighting product DIYers. In all, 84% of men said they weren't influenced by advertising, and 84% of women said the same.

Of those who noticed lighting product advertising, over half (60%) said they noticed store media advertising. Thereafter, DIYers who were influenced by advertising when buying lighting products were fairly evenly divided among those who noticed in-store advertising, store circulars, or shelf or floor product displays.

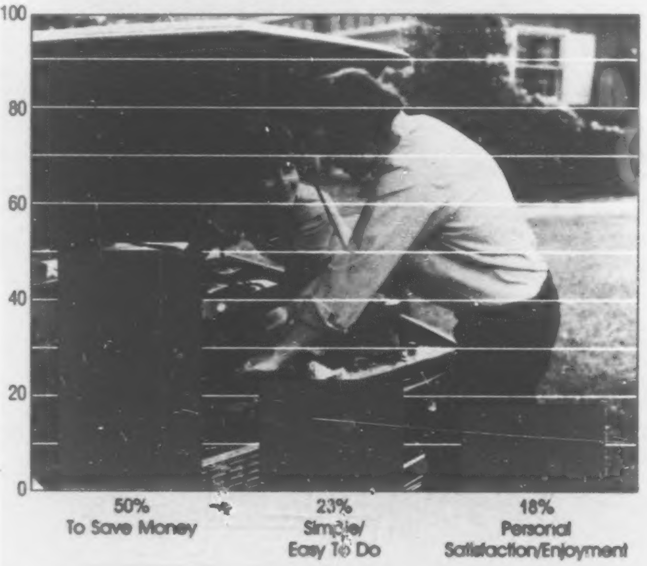
Despite the overall low number of DIYers who said they were influenced, the majority of these same people said they bought a "nationally advertised" brand of lighting product. Why? Pretty mundane reasons, really. Many (21%) bought the lowest price product they could, while another 20% said they bought the only brand the store stocked. Only 18% cited the brand name as the reason they bought what they did.

It comes as no real surprise, then, that 39% also chose the place they bought their lighting product in by its convenient location. Another 30% said they looked for price; but only 27% actually comparison shopped for lighting products.

Retailers should look, therefore, at lighting items as products that attract DIYers from across the board, rather than one narrowly defined group of people. This is a group, too, that is not looking for conspicuous consumption in their lighting products. They simply want to get the job done. Therefore, price is a major consideration in the purchase of this product. ■

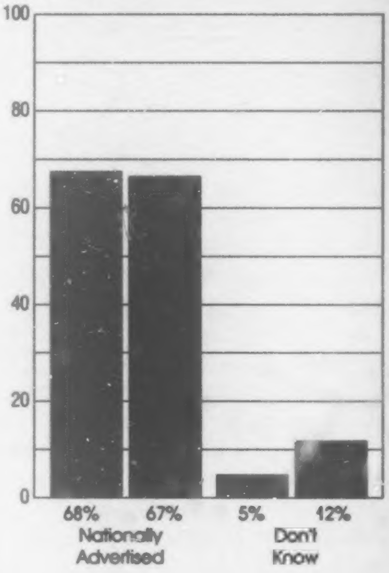
WHY THEY DIY

We asked our 1988 DIYers why they installed lighting products themselves. Here are their top three reasons.

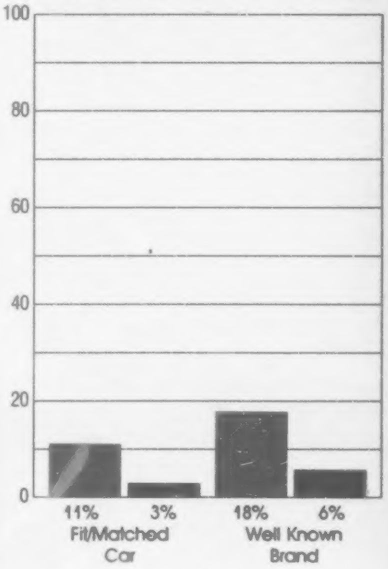


LIGHTING PRODUCTS PURCHASE INCIDENCE/INFLUENCES

What type of brand of lighting products did the installer buy: Comparing the major changes from 1988 to 1985.



Why did the installer purchase the type of brand he did: Comparing the major changes from 1988 to 1985.



■ 1988
■ 1985

CONSUMER AUTOMOTIVE REPAIR STUDY

FUNCTIONAL FLUIDS/MAINTENANCE

There was a big jump in the percentage of DIYers who bought and installed their own functional fluids (brake, transmission, and similar essential chemicals) in automotive chain and auto parts stores from 1985 to 1988. Then, less than half of these active DIYers bought functional fluids at auto parts stores; now, 61% shop auto parts outlets for these basic chemicals.

These are people, too, who are already used to shopping in these kinds of outlets. They are overwhelmingly male (88%), under 34-years-old (53%), making less than $30,000 a year (55%), who work one to five hours a month on automotive maintenance work (55%).

They come into the automotive store already knowing they want some type of functional fluid. In all, 84% planned to buy a functional fluid before going to a store. But, this decision is created through need rather than by clever consumer advertising. Only 21% said they were influenced by advertising to buy a functional fluid.

Among that 21%, most noticed the store's media (newspapers or radio, largely) advertising, rather than manufacturer advertising. Of them, 52% said they noticed store media advertising, while the next largest group, 23%, said they noticed some in-store advertising. Obviously, it is the push by the store that does the major job in moving functional fluids off the shelf.

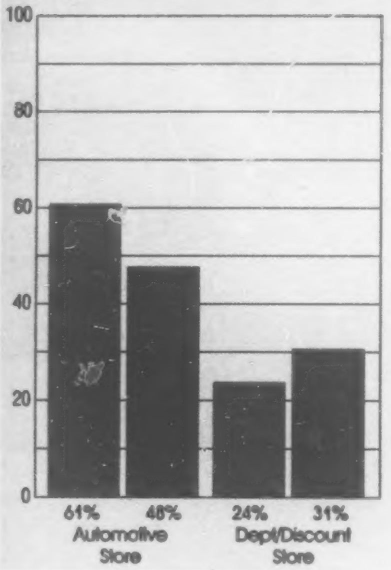
While they noticed store advertising, however, the largest single segment of functional fluid buyers (42%) said it was the store's convenient location that caused them to shop where they did for the product. On the other hand, functional fluid DIYers were about evenly divided in why they bought the type of brand they did – 26% said it was because of the brand's quality, while 23% said it was because of its low price.

It's interesting to note, too, that the number of DIYers saying they bought the brand of functional fluid they did because of its quality has risen 10% in the last three years. Obviously, there is a trend towards buying better quality products, even in areas where it is difficult for the user to measure true quality or value.

The whole picture, then, for selling functional fluids is being aware that DIYers buy them largely when needed, mostly from convenient automotive chain or parts stores that make DIYers aware that they carry the product. ■

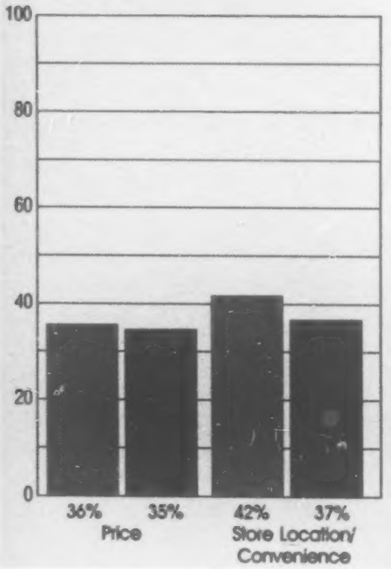
FUNCTIONAL FLUIDS PURCHASE BY OUTLET TYPE

Where did functional fluids installers last buy the product: Comparing the major changes from 1988 to 1985.



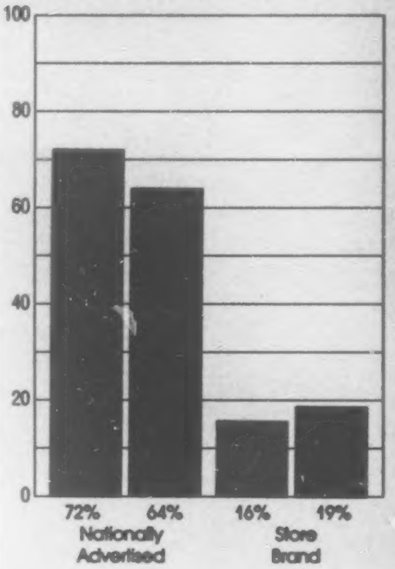
REASON FOR PURCHASING FUNCTIONAL FLUIDS AT SPECIFIED OUTLET

Why did functional fluids installers buy the product where they did: Comparing the major changes from 1988 to 1985.

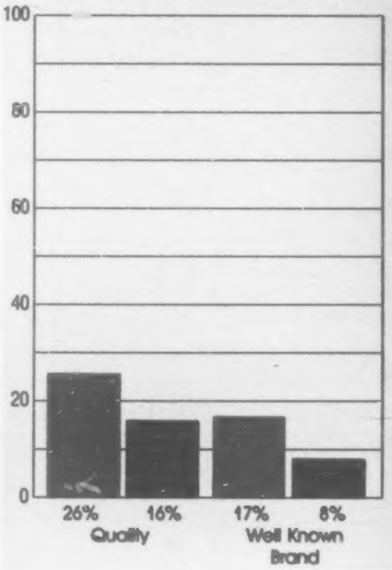


FUNCTIONAL FLUIDS PURCHASE INCIDENCE/INFLUENCES

What type of brand of functional fluids did the installer buy: Comparing the major changes from 1988 to 1985.

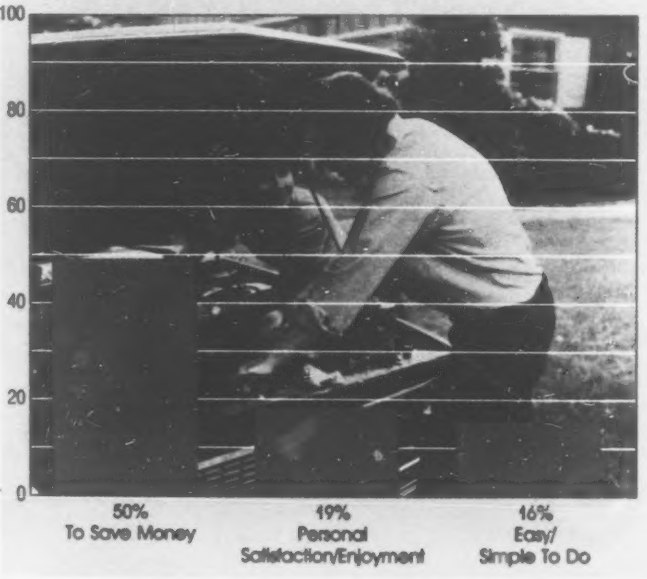


Why did the installer purchase the type of brand he did: Comparing the major changes from 1988 to 1985.



WHY THEY DIY

We asked our 1988 DIYers why they installed functional fluids themselves. Here are their top three reasons.



▨ 1988
■ 1985

SEAT COVERS

More than one fourth of seat cover purchases made by the participants in our *CARS* study were done on impulse. That percentage has changed very little since our 1985 study of DIYers who bought and installed their own automotive maintenance and repair products. However, the percentage of DIYers who purchased the product had edged up somewhat in the past three years, from 9% to 11% (as has the average age of the cars and trucks in our nation's vehicle population).

The majority of DIYer purchasers was male (70%), with the heaviest age segment between 25 and 34 years old (31%), although DIYers of all generations bought and installed their own seat covers. Half of the purchasers spent between one and five hours monthly working on their vehicles (50%), and they were responsible for maintaining one (29%), two (43%) or three or more cars (29%).

They didn't pay much attention to advertising for this product (only 36% admitted any influence on their purchases by advertising), but if they did, they noticed ads or commercials by the stores (35%), store circulars (31%), or in-store advertising (20%). Shelf talkers were noticed by only 10% of those influenced by any type of advertising or promotion media.

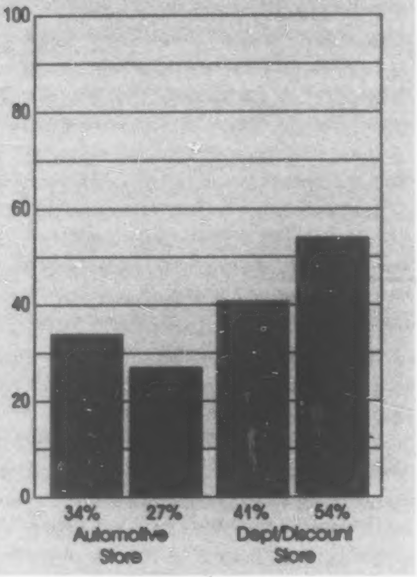
They bought the product where they did, in a majority of cases (53%), because of price. Selection at that store convinced 25% of the buyers to spend their money.

While price was the major reason why these DIYers bought seat covers where they did, it was also the heaviest influence when it came to choosing a brand of seat cover. Lowest price was the brand determinant in 38% of the purchases, while quality ranked as the second reason at 14%. Style (or size or color)—"It matched my car"—was cited in 12% of the purchases.

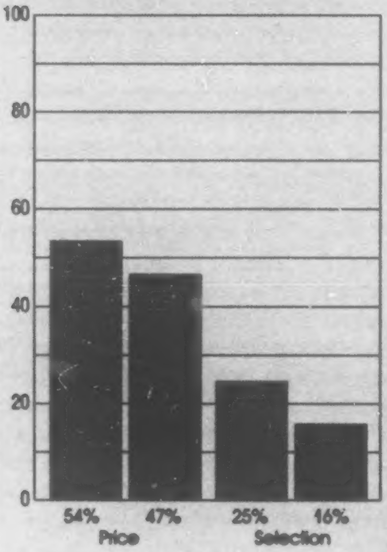
Because it's an easy DIY task requiring little, if any, technical expertise, 34% of our *CARS* respondents this year installed the product themselves. One third (33%) did the job to save money, and 17% did it because they like to. And eight out of ten of them would do the job again.

The aging of the vehicles which Americans drive, and the nation's style consciousness, may be the keys to growth within this product category. ■

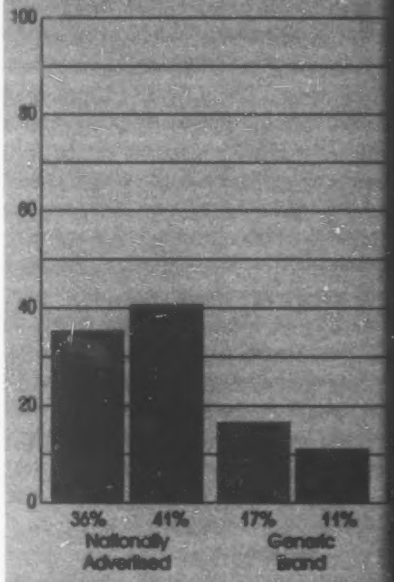
SEAT COVERS PURCHASE BY OUTLET TYPE
Where did seat covers installers last buy the product: Comparing the major changes from 1988 to 1985.



REASON FOR PURCHASING SEAT COVERS AT SPECIFIED OUTLET
Why did seat covers installers buy the product where they did: Comparing the major changes from 1988 to 1985.



SEAT COVERS PURCHASE INCIDENCE/INFLUENCES
What type of brand of seat covers did the installer buy: Comparing the major changes from 1988 to 1985.



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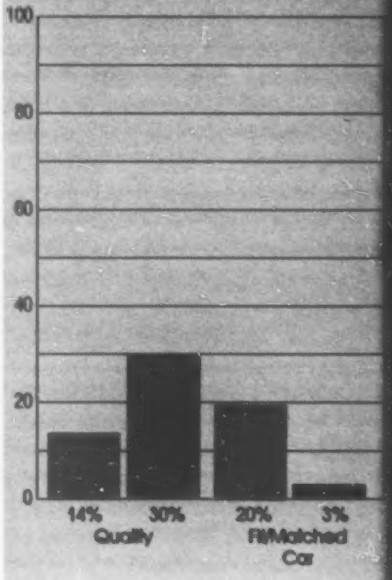

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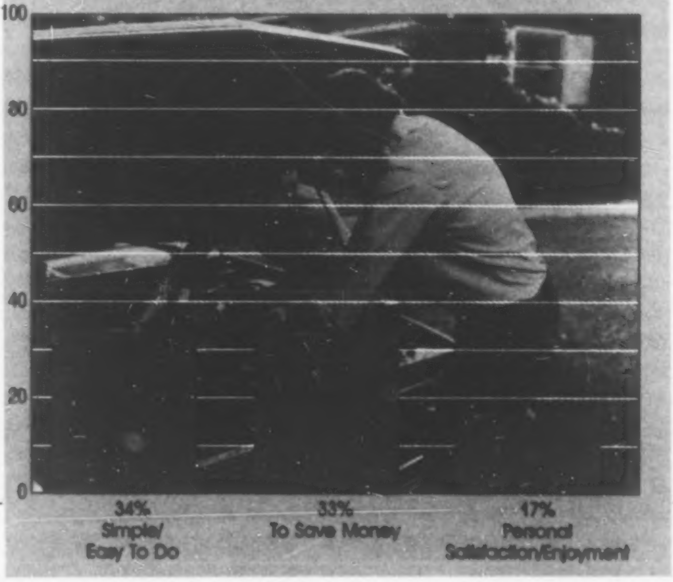


■ 1988
■ 1985

BATTERIES

Auto parts and chain stores gained a slight edge in the sales of batteries to those DIYers who both bought and installed their own batteries, even though most battery outlets offer free installation. As it turned out, in 1988, full-line auto parts or chain stores actually rated higher in sales to these DIYers than did department stores, which had previously been the sales leader.

We've always wondered what sort of person would bother to install his own battery, as opposed to take advantage of the usual free installation services. As it turns out, that person is usually male (89%), between 25 and 34 years old (35%), making between $30,000 and $40,000 a year (29%), and working one to five hours a month on automotive maintenance work (61%). Some 39% are responsible for two vehicles, and 43% said their level of automotive DIY work had increased over the previous 12 months.

Batteries are heavily advertised in all sorts of consumer media. It came as somewhat of a surprise then to see that only 74% of DIYers who installed their own batteries admitted to being influenced by any sort of advertising when deciding what sort of battery to buy. Perhaps these serious DIYers feel they trust their own product knowledge, and their own experiences, more than advertising for the masses.

Of those who did say they were influenced by advertising, the largest percentage said the advertising they noticed was done by stores rather than manufacturers. Judging from most store advertising, this influential advertising concerned itself with price rather than quality.

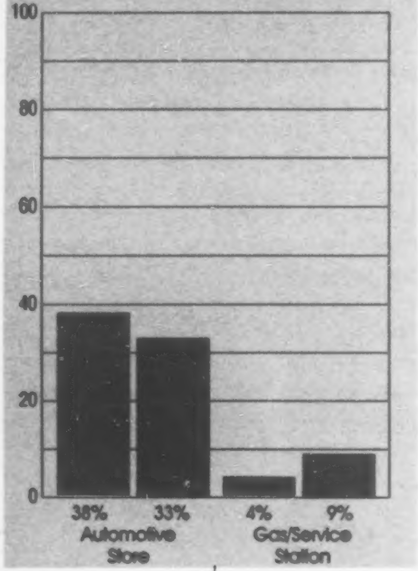
It should come as no surprise, given this, then, that 33% of DIY battery installers quoted low price as the reason they bought the type of brand they did. Quality, which is often the most cited reason among aftermarket product categories, was cited by only 24% of DIY battery installers.

Indeed, the same sort of difference was apparent so when we asked DIYer battery installers why they bought the battery they did where they did. In all, 47% said it was price that brought them to the store. The next largest percentage, 23%, said it was product selection. The more typical reason, a convenient store location, was cited by only 14%.

Judging from this, then, the way to sell batteries to DIYers who prefer to, or must, install them themselves is price, price, and price. ■

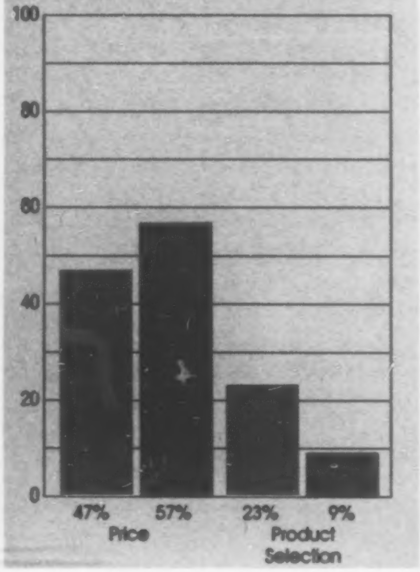
BATTERY PURCHASE BY OUTLET TYPE

Where did battery installers last buy the product: Comparing the major changes from 1988 to 1985.



REASON FOR PURCHASING BATTERY AT SPECIFIED OUTLET

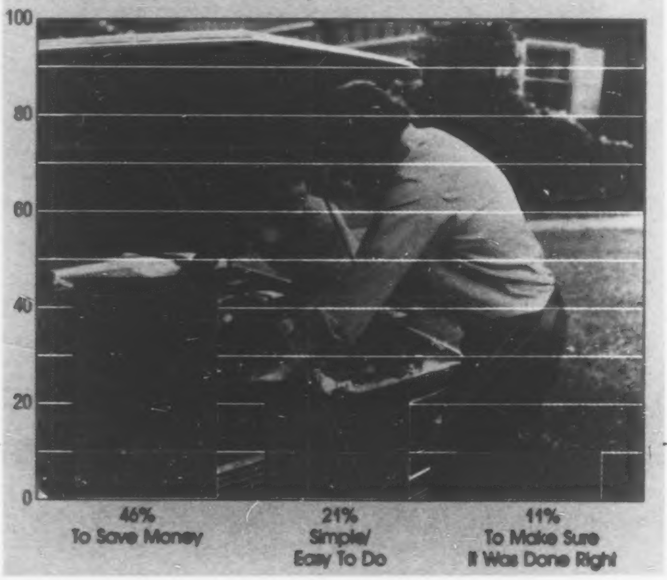
Why did battery installers buy the product where they did: Comparing the major changes from 1988 to 1985.



■ 1988
■ 1985

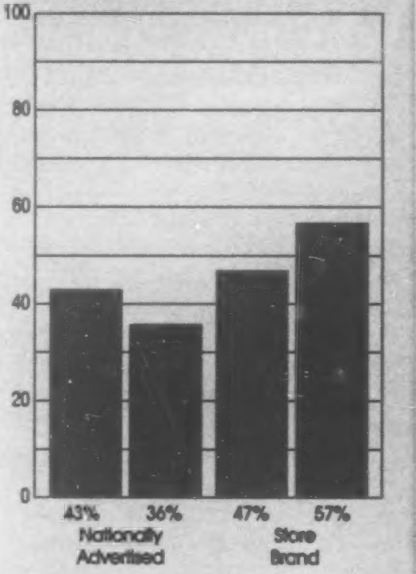
WHY THEY DIY

We asked our 1988 DIYers why they installed batteries themselves. Here are their top three reasons.

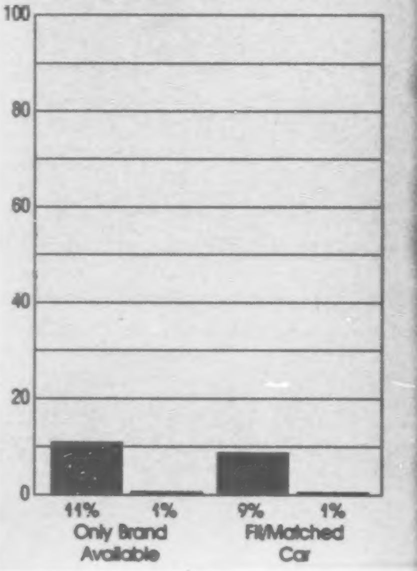


BATTERY PURCHASE INCIDENCE/ INFLUENCES

What type of brand of battery did the installer buy: Comparing the major changes from 1988 to 1985.



Why did the installer purchase the type of brand he did: Comparing the major changes from 1988 to 1985.



AUTOMOTIVE REPAIR BOOKS

Chances are that once an automotive DIYer buys his or her first automotive repair manual, that customer will be back in the store to buy another. *Automotive Marketing* took its first look at the purchasing habits of those people who use repair manuals in this year's *CARS.* And we found that 88% of the repair manual purchasers are likely to buy a second book.

The people who rely upon the books to increase their automotive prowess are male (81%), younger than 25 (34%), make either a little (26% under $25,000) or a lot (43% more than $40,000) of money, and spend between one and five hours every month working on the vehicles for which they're responsible. More than half (51%) are responsible for the maintenance of two cars.

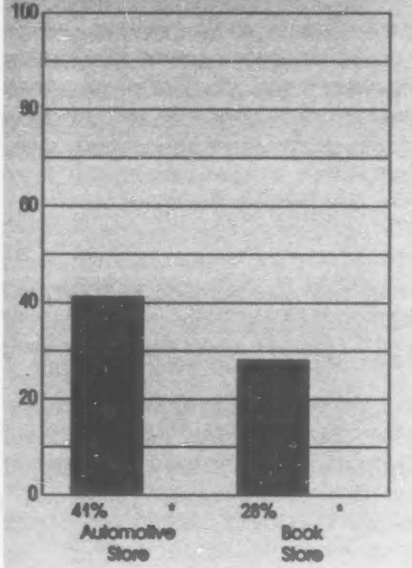
What's more, these book users are on the positive side of the DIY market: 68% of them intend to increase their automotive repair activity. Only 5% told us that they intend to cut back on their DIY tasks, and 27% intend to keep on doing as much as they do now.

They purchased their repair books at automotive parts stores (41%), at book stores (28%), and by mail (13%, and we suspect that many of these are orders for automakers' manuals direct from the factory ordered from a glovebox manual order form).

Most of them intended to buy the book they did, (66% told us that), but they weren't influenced by advertising to a great degree (71% said they weren't). They bought the book from their supplier because of the selection displayed (35%), or because it was a convenient place to buy (13%), or the only place to get it (14%). Price is not an important consideration when selecting where to buy a book, because only 12% cited that as their primary reason for buying where they bought. And, they bought that particular book because it was a well known brand (30%), they thought it was a good quality product (28%), or because it had the information which they needed (22%).

Where's the potential? There's a distinct group of young male DIYers we found who don't have the habit of buying books to help them work on their vehicles. Retailers might add more to the average store ticket by thinking through their merchandising and display of books for specific component systems next to that parts product category. It might increase the impulse buying of these repair manuals. ■

AUTOMOTIVE REPAIR BOOKS PURCHASE BY OUTLET TYPE
Where did automotive repair book readers last buy the product. Comparing the major changes from 1988 to 1985.



* No data from 1985

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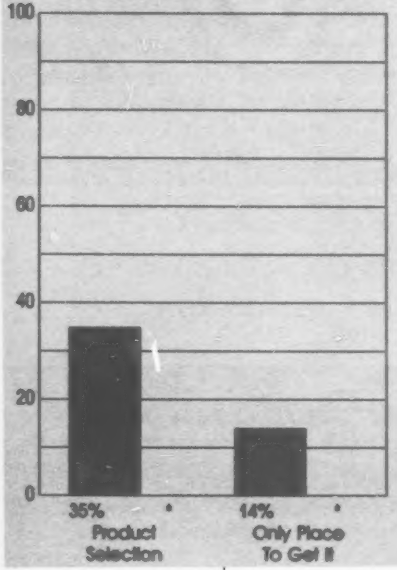
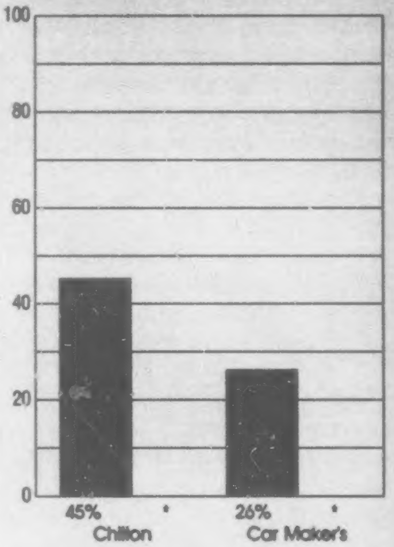


* No data from 1985

AUTOMOTIVE REPAIR BOOKS PURCHASE INCIDENCE/INFLUENCES
What brand of automotive repair books did the reader buy. Comparing the major changes from 1988 to 1985.



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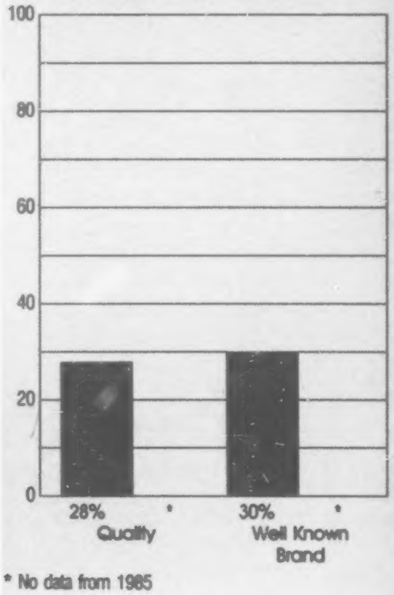
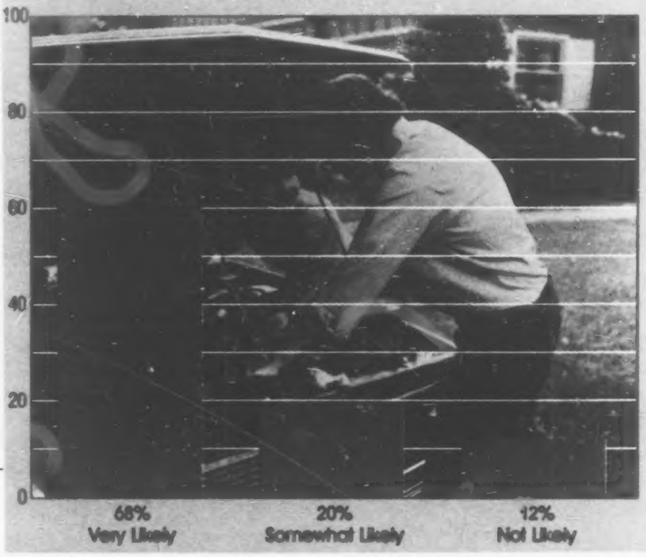
Why did the reader purchase the brand he did: Comparing the major changes from 1988 to 1985.



* No data from 1985

WOULD THEY BUT ANOTHER BOOK
We asked our 1988 DIYers how likely they were to buy an automotive repair book again.



■ 1988
■ 1985

CONSUMER AUTOMOTIVE REPAIR STUDY

GAS/OIL ADDITIVES

The addition of a whole slew of new gas and oil additive products—products such as those designed to pass emissions tests or clean fuel injectors—has brought a good number of DIYers back to automotive chain stores from the discount/department stores where they'd been buying their additives before.

This is good news to retailers, since the demographics of additive buyers also match the demographics of typical DIYers rather closely. This means that the new types of additives are making sure DIYers are shopping in automotive chain stores.

What demographics? The average additive buyer is male, less than 34 years old, making less than $30,000 annually, spending between one and five hours a month on automotive DIY work, and responsible for two or fewer vehicles. In addition, almost half of all additive DIYers reported that they increased the amount of automotive repair work they did last year from the year before.

If it's the new products that bring these DIYers into automotive chain stores, the question is how do they learn of these products? According to them, not through consumer advertising. More than 70% said that they were not influenced by consumer advertising to buy the additive they bought.

And, of those who were influenced by advertising, more than half (53%) were influenced by in-store advertising such as point-of-purchase material or signs. Another 21% mentioned being influenced by in-store advertising.

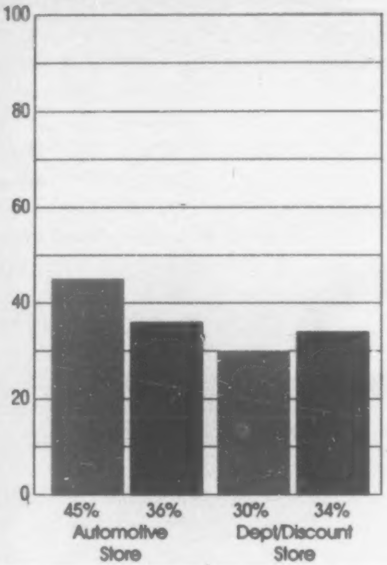
Yet, there must have been some advertising influence that these DIYer/installers felt but weren't aware of. For, the largest single reason for buying the brand of additive the DIYer reported buying was the quality of the product: 24% of additive installers quoted quality as the reason they bought the product they did. In a field such as additives, where it is difficult for the average DIYer to accurately measure product results, advertising is a major contributor to the quality image.

Quality was, however, not the reason they gave for where they bought the additive they did. In answer to that question, most additive installers bought the product they did because of a low price (36%) or a store's convenient location (36%)

The conclusions? Retailers should emphasize their wide range and low price of oil and gas additives, especially in in-store advertising and displays, to boost sales in this product category. ■

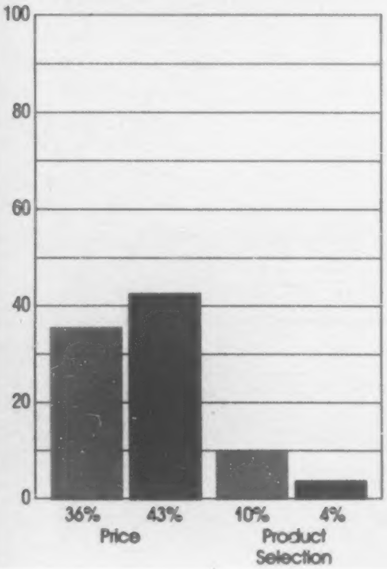
GAS/OIL ADDITIVES PURCHASE BY OUTLET TYPE

Where did gas/oil additive installers last buy the product: Comparing the major changes from 1988 to 1985.



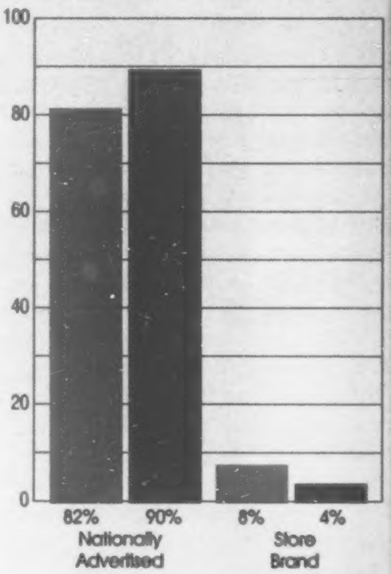
REASON FOR PURCHASING GAS/OIL ADDITIVES AT SPECIFIED OUTLET

Why did gas/oil additives installers buy the product where they did: Comparing the major changes from 1988 to 1985.

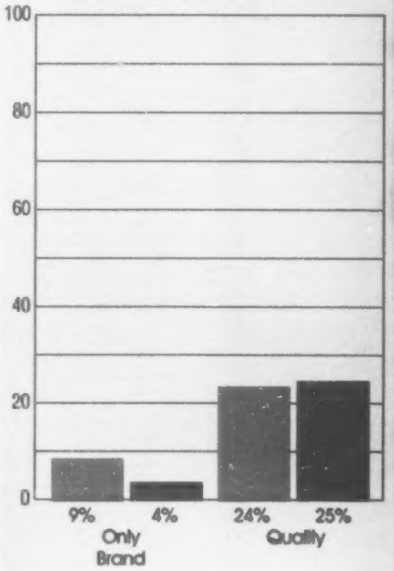


GAS/OIL ADDITIVES PURCHASE INCIDENCE/INFLUENCES

What type of brand of gas/oil additives did the installer buy: Comparing the major changes from 1988 to 1985.

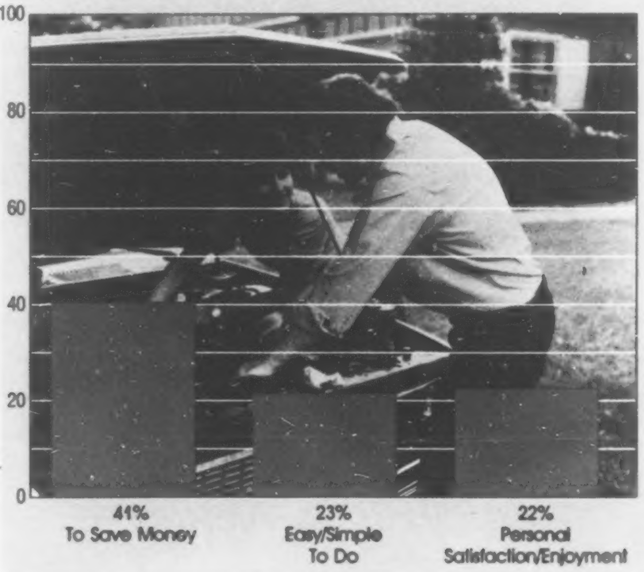


Why did the installer purchase the type of brand he did: Comparing the major changes from 1988 to 1985.



WHY THEY DIY

We asked our 1988 DIYers why they installed gas/oil additives themselves. Here are their top three reasons.



▨ 1988
■ 1985

CONSUMER AUTOMOTIVE REPAIR STUDY

ANTIFREEZE/COOLANT

Antifreeze/coolant continues to be the second most installed product that DIYers buy. It is interesting to note, however, that while most DIYers who install their own antifreeze/coolant say they bought it where they did because they found the lowest possible price there, sales through auto parts and chain stores have actually increased from 1985 to 1988. The loss has come at the expense of discount stores, which previously held a lead among the type of outlets from which DIYers bought this product.

Antifreeze/coolant is not a terribly difficult product to install. The result is that DIYers who do that job come from all walks of life, ages, income levels, and DIY intensity. But most of them are male (78%) and work one to five hours on automotive maintenance monthly (55%). They are also 25 to 34 years old (30%), and make $20,000 to $30,000 annually (28%).

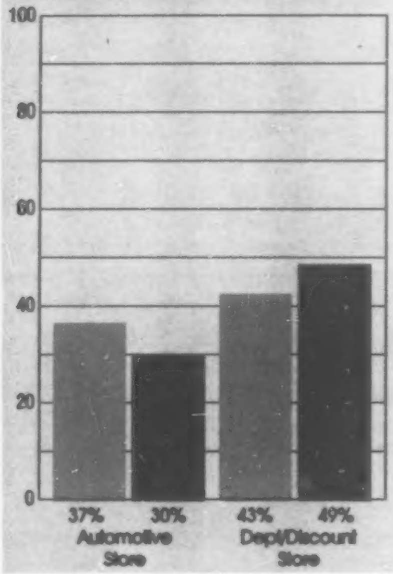
There's a lot of money spent by antifreeze/coolant producers on consumer advertising. It seems to work. A large percentage (44%) of DIYers who bought and installed their own antifreeze/coolant said that they were influenced by advertising. And, store media advertising was largely what attracted their attention.

When it came time to buy, however, most (83%) DIYers who bought and installed antifreeze/coolant planned to buy the product. They went straight to where they bought it (only 31% comparison-shopped for the product). And, most (59%) of them bought it where they did it because they felt they got the lowest price possible there for the product.

Advertising apparently pays too, since 85% said they bought a nationally advertised brand of antifreeze/coolant. Even then, though, only 23% said they bought that brand because of its quality, while a larger percentage (30%) said it was the low price of that brand that gave it the edge. A significant 22% said they bought the brand they did through "force of habit." Holding a commanding market share in this market guarantees a fair percentage of sales.

At the retail level, then, conventional wisdom in selling antifreeze/coolant seems to hold true still. Stock national brands and promote their low prices. ■

ANTIFREEZE/COOLANT PURCHASE BY OUTLET TYPE
Where did antifreeze/coolant installers last buy the product: Comparing the major changes from 1988 to 1985.



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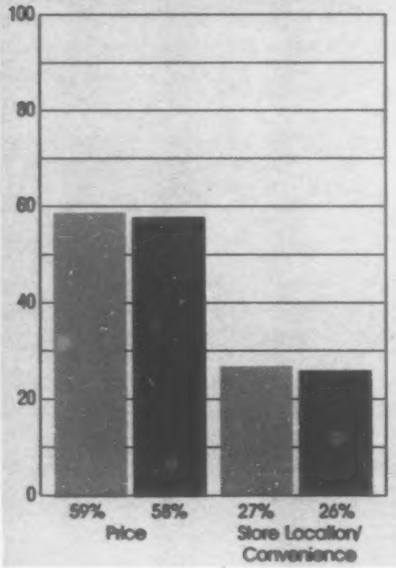
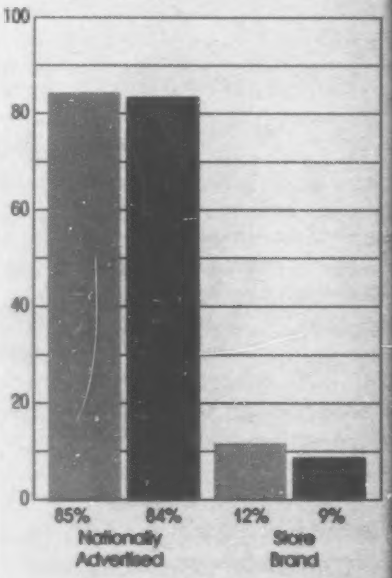


ANTIFREEZE/COOLANT BRAND PURCHASE INCIDENCE/INFLUENCES
What type of brand of antifreeze/coolant did the installer buy: Comparing the major changes from 1988 to 1985.



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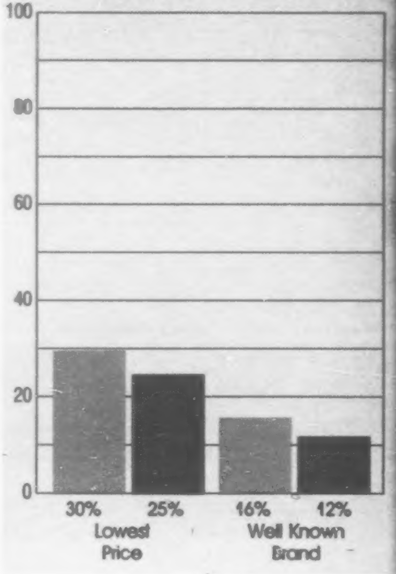

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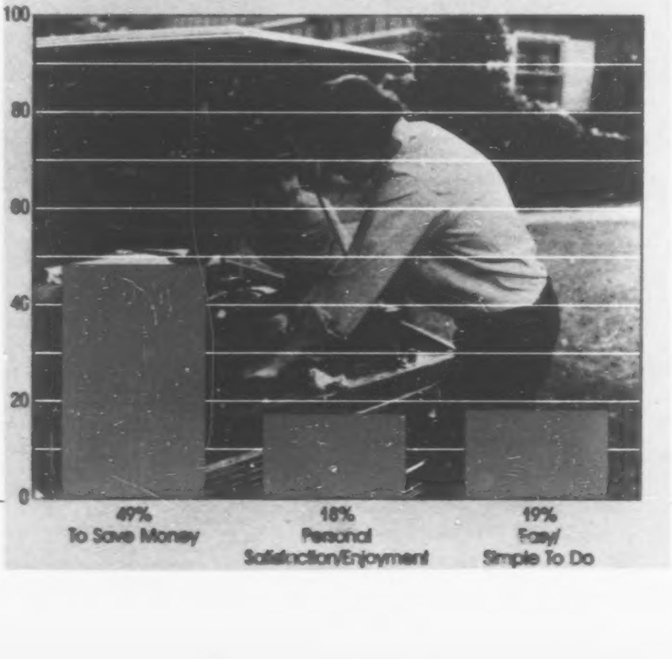

▨ 1988
■ 1985

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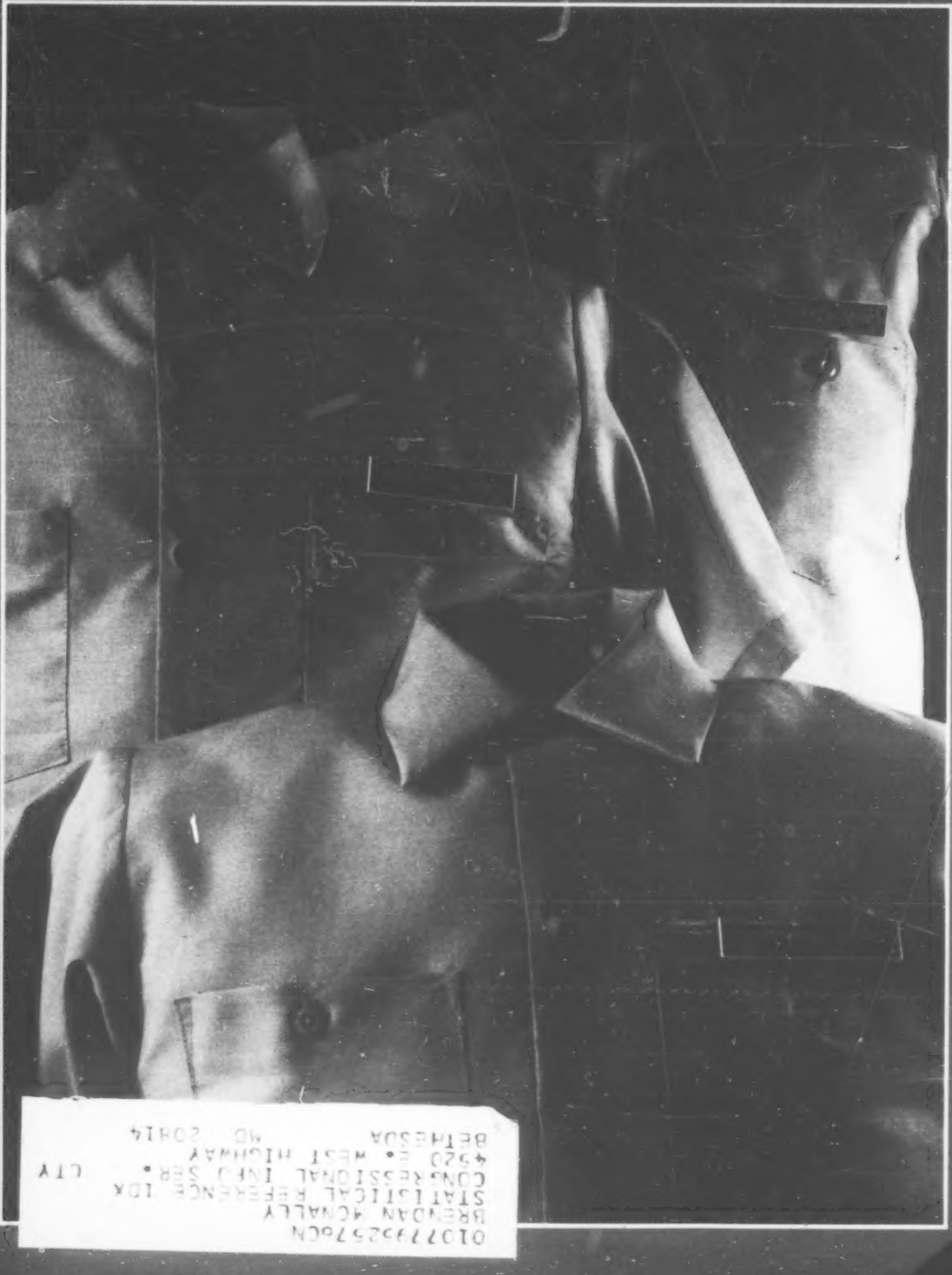
AUTOMOTIVE MARKETING

The Marketing/Business Magazine For The Retail Aftermarket

APRIL 1988



Employment:
A Critical Issue

Management:
How To Interview
Prospective
Employees

How To Staff
Your Service
Bays

Analyzing The
Retail Market For
Bolt-On Parts

Racing
Profiles

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FEATURES

Racing Profiles 25
A look at why suppliers are involved in racing through the cars, drivers, and events they support.

Who's Minding The Stores? 56
Employment is a critical issue for the aftermarket. But before the problems can be solved, it's good to know just who the players are.

Practicing The Art Of Interviewing 63
A good interview helps.

Staffing Your Service Bay For Profit 65
Finding the best people for your service bay is not easy. But it can be done. And it can be done right, and at a profit.

The Ins & Outs Of Bolt-On Parts Sales 67
Bolt-on parts represent opportunities and problems for aftermarket retailers.

DEPARTMENTS

Detailing The Market 5
Editorial 13
The *Automotive Marketing* Index 14
Market Line 16
Employees & The Human Factor 61
Car Care Merchandising Guide 74
Products 78
Rep Guide 82
Reader Service Card 83
Ad Index 87

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PUBLISHER'S NOTES

NEW HIRES & FINISH LINES

Just what is going on with the employment issue?

One of *Automotive Marketing's* key topics this year is employees, certainly critical because of fewer people entering the work force, and the legislation proposed to increase minimum wages and extend health care benefits.

This month we focus a great deal of attention on the issue with the beginning of managing editor Gail Krueger-Nicholson's series on employment, as well as a helpful article from our Touche Ross consultants on how best to interview prospects.

Contributing editor David Evans concludes his discourse on whether or not retailers should add the "other" business of automotive service to their product mix, telling how to staff and evaluate the service bays once you've committed to install parts as well as sell them retail.

Contributing editor Ed Kaufman does a splendid job of looking at bolt-on part sales.

Our Car Care Merchandising Guide pages provide specifics on just how, and where, to place merchandise for greater sales.

And, we take a look at fun which pays off: how aftermarket suppliers participate, and profit, in one of the hottest spectator sports going. . . racing. . . in our Racing Profile section.

We've given you lots to read. I hope you enjoy, and benefit from, it. ■

Sarah Frankson
Publisher

DETAILING THE MARKET

IN-STORE FOCUS

VIP DISCOUNT AUTO CENTERS INC.
Headquarters: 12 Lexington St., Lewiston, ME 04240
(207) 784-5423
Stores: 15
Total Corp. Sales: $16,000,000 (est.)
Average SKUs: 10,000
Founded: 1978

VIP DISCOUNT AUTO★CENTER
DISCOUNT AUTO CENTER
TRUCK CENTER

This chain is ready to grow, and Thomas J. Auger, executive vice president and son of its founder, is proud of his business and its success.

Plans for growth are at the hub of Auger's marketing plan for the next three years. "We want to own northern New England," he said. "We've got a three-year battle plan of action—four new stores are planned for this year, (two had already opened by press time) and six more in 1989. I want to own the area so that if someone comes in, we've got our niche."

Right now, the chain is, as Auger describes it, "really unique—a cross between a Pep Boys and an ADAP. We're 100% DIY. We sell direct to the public at wholesale prices."

Every store in the chain is being remerchandised. In the stores that have already been completed, according to Auger, "I've seen a 25% increase in sales."

The new look features a racetrack. (The old look was old-fashioned—conventional aisles, straight counters running front-to-back). People who come in are directed to the right and then guided around into the main area of the stores. Angled gondolas and some 20 endcaps, featuring seasonal and impulse items, are seen by the customers before they get to the customer service desks.

The heart of the store consists of traffic builders such as oil, filters, and antifreeze/coolant. Big-ticket items include wheels and tires. The stores carry a good-better-best selection of tires, featuring a large selection of truck and RV models, since Maine is a big truck state. The tires are mounted in the tire bays (no other services are offered in the bays); ten of the stores have three bays each. The bays are more than justified—tire sales account for about 25% of the stores' business.

The chain, which is converting to bar codes, has a POS computer order entry system. Items are delivered daily from the firm's 130,000 sq. ft. warehouse. It operates on a cash-and-carry basis, and prides itself on serving the customer quickly and well.

"The only way we can grow right now is to be a household name," Auger said. "We're doing a good job of that, and we're proud of it."

The desire to become a household name is backed by a three-fold strategy: a wide selection of product at competitive prices; strong advertising; and reliable and friendly service at retail.

The product line is designed to meet the needs of the DIY customers who shop the stores. The chain is big on accessories; some 50% of its sales come from accessory items such as chrome, car mats, lighting, and detail items.

But the bulk of its consumer recognition comes from its billing as "Oil City." Currently, the chain is running ads that state, "VIP is Oil City." To back that claim, VIP currently carries "right around ten brands," according to Auger. "We sell a truck load of oil a week," he said. With eight to ten major brands in stock, he said, "we give people what they need."

And according to Auger, "we're definitely competitive. Our hard parts, for instance, are 20-30% cheaper than more traditional outlets."

The ad program is something Auger points to with pride. The firm advertises twice a month with an eight-page newspaper insert that reaches 350,000 people. There is also some radio backup. Auger is a firm believer in co-op advertising. "We work real closely with the manufacturers," he said. "We *use* our co-op money; we spend it all." Last year the firm spent $750,000 on advertising, and, according to Auger, it paid off.

Customer service is the key to the chain's success, Auger said. "The key to our future is our people," he said. "We really work hard at developing them. I learned a long time ago it isn't me who waits on customers; it's my people."

The firm offers "internal incentives" to its employees, but Auger has also worked to train his people by offering in-house training that features films and quizzes. Some of the films are from the APAA STAR series; others are from suppliers. In addition, Auger has even sent his employees to one of the popular "getting along with people" courses—with good results, he feels.

DETAIL

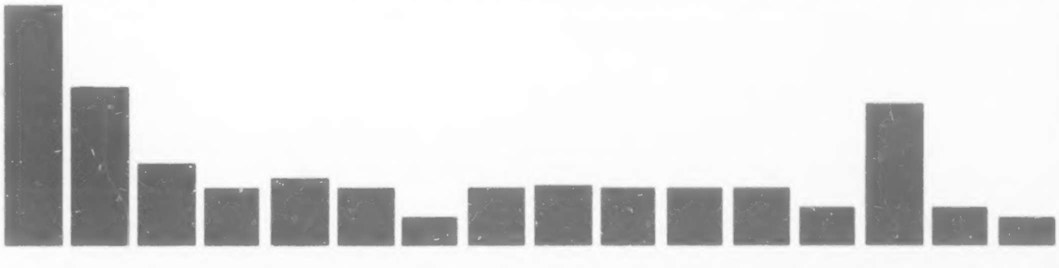
.9%

is the total decline in the number of automotive parts and supplies retailer stores between January 1987 and January 1988, according to the Yellow Page Research Group, Omaha, NE. The actual numbers were 61,454 stores at the beginning of the year and 60,900 at the end.

PROFILE: ALL DIYers

Drawing from the 1988 *Automotive Marketing Consumer Automotive Repair Study*, we look at everyone who does any DIY work, ranging from an engine overhaul to topping off oil.

			Age					Income				Hours Per Month Spent On DIY			
Total	Male	Female	-25	25-34	35-44	45-54	55 +	-$20K	$20-30K	$30-40K	+ 40K	-1 Hrs	1-5 Hrs	6-10 Hrs	11 + Hrs
100.0%	66.2%	33.8%	21.2%	28.4%	18.8%	11.8%	19.1%	24.6%	21.2%	16.8%	20.5%	14.7%	58.6%	16.2%	8.5%



THE AUTOMOTIVE MARKETING INDEX

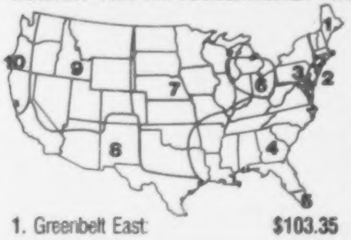
THE 1988 *AUTOMOTIVE MARKETING* MARKETBASKET

To determine the price movement, *Automotive Marketing* created a "marketbasket" of the best prices available for nine popular aftermarket products. We determine the best available price of each item in each marketing area each month to come up with an average marketbasket index. The products include a non-resistor spark plug; an oil filter; a can of 10W30 motor oil; a can of paste wax; an AM/FM/Cassette radio; a gas-charged shock absorber; a gallon of antifreeze/coolant; a pair of windshield wiper refills; and a 40-month-warranty battery. These products are usually on sale somewhere within each marketing area, which we define by their unique geographic, meteorological, and consumer characteristics.

JANUARY 1988 NATIONAL AVERAGE MARKETBASKET PRICES

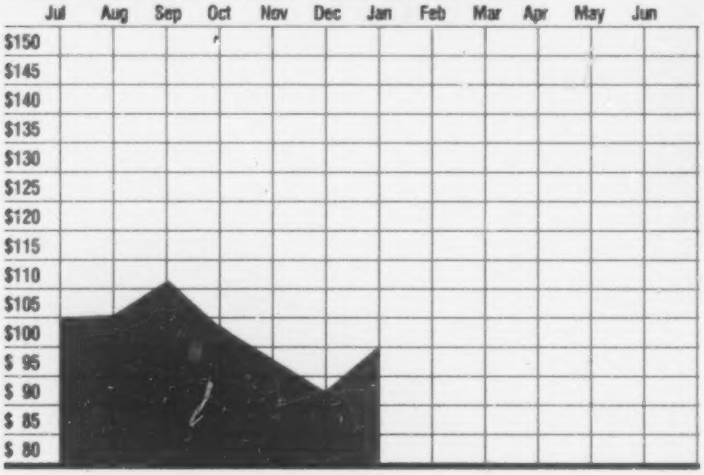
A non-resistor spark plug:	$ .59	A gas-charged shock:	$ 13.29
An oil filter:	2.19	One gallon of antifreeze:	3.71
A can of 10W30 oil:	.74	One pair of wiper refills:	2.91
A can of paste wax:	3.16	A 40-month battery:	30.70
An AM/FM/Cassette:	42.35	**Total:**	$ 99.64

JANUARY 1988 AM MARKETBASKET PRICES BY MARKETING AREA



1. Greenbelt East:	$103.35	3. Smokestack East:	$108.35
2. Megapolis East:	114.22	4. Old South:	88.16
		5. Caribbean South:	98.88
		6. Smokestack Central:	106.52
		7. Grainbelt Central:	98.88
		8. Spanish West:	99.27
		9. Desert West:	99.90
		10. Greenbelt West:	79.18

NATIONAL AVERAGE MONTHLY 1987/88 AFTERMARKET BASKET PRICES



AFTERMARKET BUSINESS INDICATORS

	Unit/Base	Mo/Qr	Current Period	Prior Period	Year Ago, Same Period	Low (84-88)	High (84-88)
Consumer Price Index	(67 = 100)	Nov	345.8	345.3	330.8	May 61 89.3	Nov 87 345.8
Prime Rate	%	Feb 25	8.5	8.5	7.75	—	—
Personal Income	Billion $	Nov	3,833.7	3,850.6	3,577.5	Jan 61 403.8	Oct 87 3,850.6

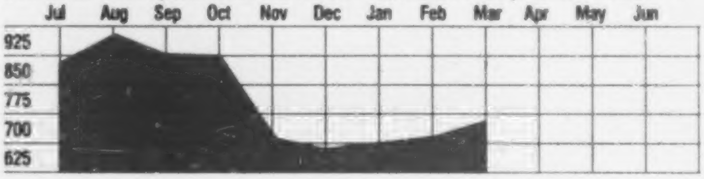
1988 AFTERMARKET STOCK PRICES

The figures below are the high and low prices offered and paid for various aftermarket-related common stocks in various exchanges for the 52 week period prior to March 11.

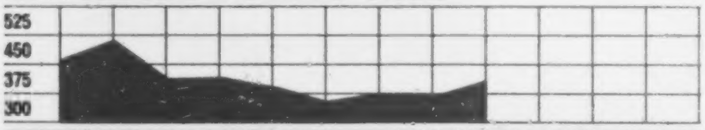
	Exchange	52-week High	52-week Low	3/11 Quote	P-E Ratio
Armor All	OTC	27 1/4	10 3/4	17	19
AutoSpa	OTC	5 1/2	7/8	2 3/8	—
Champ Parts	OTC	12 3/8	4	7 3/8	24
Champ Spk Plg	NYSE	16 3/8	7 7/8	12 1/8	24
Chevron	NYSE	64 5/8	32	45 5/8	16
Dana Corp.	NYSE	54 1/4	27 1/2	39 7/8	12
Duralcon	OTC	14	7 1/2	11 1/2	12
Echlin	NYSE	25 3/8	10 3/4	15 7/8	18
Facet	NYSE	28 1/2	10 1/2	27 3/8	24
Genuine Parts	NYSE	44 3/8	27 1/4	39 7/8	21
Grand Auto	AMEX	24 3/8	7 3/8	15 1/4	—
Modine	OTC	22 3/4	11 3/4	17 3/4	11
Mr. Gasket	OTC	7 3/4	5	6 1/4	313
PACCAR	OTC	78 1/4	43 1/2	70	11
Prkr Hannfin	NYSE	49	24 1/2	37 1/4	18
Pennzoil	NYSE	95	38 1/2	74	107
Pep Boys	NYSE	18 7/8	9 1/2	13 7/8	22
Quaker State	NYSE	31 3/4	12 7/8	22 1/2	—
Rite Aid	NYSE	46 1/4	28 1/2	37	18
Sealed Power	NYSE	39 5/8	21 3/4	34 5/8	16
Stan Mtr Prod	NYSE	23 1/2	11 1/8	15 1/4	12
Superior Ind	AMEX	19 3/8	9	13 1/8	8
TBC Corp.	OTC	13 3/4	3 3/4	13 1/4	12
TRW	NYSE	70	37	50	12
Tenneco	NYSE	62 1/2	36 1/8	42 3/4	—
Trak Auto	OTC	19	7	11 1/8	18
Triad Systems	OTC	14 3/4	7 1/2	11	15
Western Auto	OTC	16 3/4	5 3/4	10 1/4	13
Witco	NYSE	47 3/8	26 5/8	36 1/4	13
Wynns	NYSE	30 3/8	14 1/2	21 3/8	40

DOW JONES 65 COMPOSITE STOCKS

Dow Jones 65 composite stock and *AM's* 17 aftermarket stock price as of March 11.



AM 17 COMPOSITE AFTERMARKET STOCKS



PRODUCT OF THE MONTH: WAX AND POLISH

Drawing from the 1988 *Automotive Marketing Consumer Automotive Repair Study*, we look at the individuals who purchased and installed wax and polish products during a 12-month period.

			Age					Income				Hours Per Month Spent On DIY				Number Of Cars Responsible For		
Total	Male	Female	-25	25-34	35-44	45-54	55+	-$20K	$20-30K	$30-40K	40K+	-1 Hr	1-5 Hrs	6-10 Hrs	11+ Hrs	1	2	3 or More
100.0%	68.3%	31.7%	18.4%	31.9%	23.2%	11.2%	14.8%	24.4%	21.3%	25.9%	22.6%	10.4%	62.5%	18.4%	7.5%	38.9%	41.4%	18.5%

WHO'S MINDING THE STORES?

In the face of labor shortages, *Automotive Marketing* wanted to find out who is working in the aftermarket today. And, more importantly, who will work here in the future.

by **Gail Krueger-Nicholson,**
Managing Editor

In 1983, there were about 276,400 people working as sales clerks, stock room helpers, countermen, assistant managers, and other hourly employees in the automotive aftermarket. By January 1987, that number had grown to 309,700. By the end of 1995, about 341,300 (this number-and this number only—includes employees in other hard goods retailers) people will be needed to fill those positions in the aftermarket.

As those numbers from the Automotive Parts & Accessories Association (APAA), Landham, MD, show, the number of hourly employees needed in the aftermarket is growing and continued growth is expected.

Yet each year, help wanted ads go unanswered and entry-level customer contact positions go unfilled. If those positions are filled, it is often the result of "wage wars" as aftermarket retailers try to out-bid fast food chains and other retail specialty stores for the ever dwindling number of entry level workers. And when the positions are filled, they are often filled by unmotivated, undisiplined, unskilled workers—workers retailers would rather not hire if they had a choice. But they no longer seem to have a choice.

The issue of employment in the aftermarket is important today. The issue of employment in the aftermarket will be critical tomorrow.

Who's Minding The Stores?

Just who does work in the aftermarket today? Who fills those 300,000-some-odd hourly positions in 1988?

"Most of them are young people, unsure of what they want to do. They try out several types of jobs to find what they really like, where they fit in," Andrea Hoy, director of personnel for the combined 255-store Nationwise/Guarantee chain said. The Nationwise/Guarantee chain, based in Columbus, OH, employees about 2,500 hourly people, about 500 of them part-time, Hoy said.

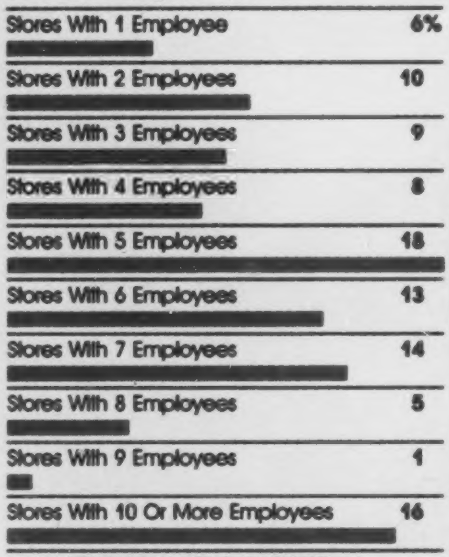
"This may be their first job, and they look to gain from the job rather than bring skills to it. They may be experienced with automotive, they may not. It may be that their basic skills are not as good as they used to be," Hoy continued.

Not surprisingly, a survey of *Automotive Marketing's* Retail Panel found that the hourly employees of the aftermarket are primarily young white males with high school educations. Denis Hickether, of

WHO'S MINDING THE STORES:

HOW MANY?

We asked our Retail Panel: "How many sales clerks, stock room helpers, countermen, and assistant managers work in your store?" Most, 45%, had five, six, or seven employees below the store manager/owner level.

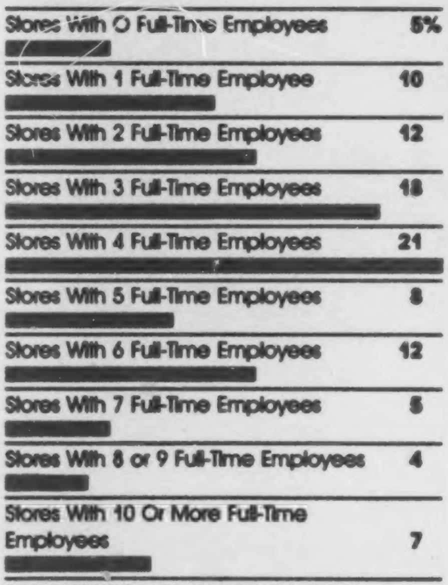


Stores With 1 Employee	6%
Stores With 2 Employees	10
Stores With 3 Employees	9
Stores With 4 Employees	8
Stores With 5 Employees	18
Stores With 6 Employees	13
Stores With 7 Employees	14
Stores With 8 Employees	5
Stores With 9 Employees	1
Stores With 10 Or More Employees	16

Source: 1988 *Automotive Marketing* Retail Panel
Percentages may not total to 100% due to rounding and/or multiple answers.

HOW MANY FULL-TIME?

We asked our Retail Panel: "How many sales clerks, stock room helpers, countermen, and assistant managers work in your store full-time?" Some 5% had no full-time employees below the store manager/owner level while 21% had four full-timers.



Stores With 0 Full-Time Employees	5%
Stores With 1 Full-Time Employee	10
Stores With 2 Full-Time Employees	12
Stores With 3 Full-Time Employees	18
Stores With 4 Full-Time Employees	21
Stores With 5 Full-Time Employees	8
Stores With 6 Full-Time Employees	12
Stores With 7 Full-Time Employees	5
Stores With 8 or 9 Full-Time Employees	4
Stores With 10 Or More Full-Time Employees	7

Source: 1988 *Automotive Marketing* Retail Panel
Percentages may not total to 100% due to rounding and/or multiple answers.

Auto Aid, Adams, WI, describes them as "semi-skilled workers."

In general, these hourly employees make between $13,308 and $14,449 annually if they work full-time; or about $3,514 if they work part time, Ann Tanhoff, of APAA's Foundation for Aftermarket Industry Research (FAIR), said. If they work full-time, they put in from 2,087 to 2,598 hours each year; an average of 1,154 if they work part-time.

Most stay at their jobs between one and five years, according to Retail Panel members. About 5.5% of them leave their jobs each year to be replaced by similar

WHO'S MINDING THE STORES:

HOW MANY PART-TIME?

We asked our Retail Panel: "How many sales clerks, stock room helpers, countermen, and assistant managers work in your store part-time?" Some 24% had no part-time employees below the store manager/owner level while 38% had one part-timer.

Stores With 0 Part-Time Employees	24%
Stores With 1 Part-Time Employee	38
Stores With 2 Part-Time Employees	15
Stores With 3 Part-Time Employees	9
Stores With 4 To 9 Part-Time Employees	9
Stores With 10 Or More Part-Time Employees	4

Source: 1988 *Automotive Marketing* Retail Panel
Percentages may not total to 100% due to rounding and/or multiple answers.

HOW MANY MEN?

We asked our Retail Panel: "How many of the sales clerks, stock room helpers, countermen, and assistant managers who work in your store are men?" Only 4% had no male employees below the manager/owner level.

Stores With 0 Male Employees	4%
Stores With 1 Male Employee	14
Stores With 2 Male Employees	9
Stores With 3 Male Employees	12
Stores With 4 Male Employees	15
Stores With 5 Male Employees	15
Stores With 6 Male Employees	13
Stores With 7 To 9 Male Employees	9
Stores With 10 Or More Male Employees	9

Source: 1988 *Automotive Marketing* Retail Panel
Percentages may not total to 100% due to rounding and/or multiple answers.

WHY THEY'RE IN RETAILING

As a store manager, you've probably had difficult days when it seemed like none of your employees cooperated with you, when none of them seemed "in the mood" to do their jobs. You probably ended those days saying, "Why are they working in retailing, anyway?"

William Ress, chairman of the Columbus, OH, personnel consulting firm of C.W. Rees & Associates Inc., has wondered the same thing. His company conducted extensive interviews with former and current retail store sales people to answer three questions:

- Why are they in retailing?
- What do they like about it?
- What don't they like about it?

What he found out may make your job, the job of motivating your sales people to do their best, easier.

For the most part, according to Ress, the sales people interviewed were, "Bright, enthusiastic, personable, sociable, and often well educated—not, for the most part, the types of people I seem to encounter in stores."

These people were attracted to work in retailing for a variety of reasons. First, there were the practical considerations of flexible hours, working close to home, and employee discounts.

Second, there were the "perceived positive personal attractions" of retailing. Almost all the respondents said they chose to work in retailing because they liked to shop, because they liked to meet people, and because they saw stores as pleasant places to spend time.

Third, they also said they believed a selling job would offer a variety of duties and would be creative, and that they liked being in the public eye and "advising" customers about merchandise. They saw themselves as "experts" and expected positive rewards for sharing their expertise.

In other words, they looked forward to a job that was a continuation of personal pleasures and leisure time activities.

So what turns these positive, pleasant people into the grumbling sales staff dreaded by store managers and customers alike? Some of it has to do with the people themselves and some of it has to do with their supervisors, according to Ress.

Besides being bright and enthusiastic, the sales people interviewed were also vague about their work-related aspirations, were not goal oriented, and were often unprepared for any specific career. In other words, they were "easily pleased and easily displeased," Ress said.

"Most of the people we interviewed represented the fumblers of the world. Capable, but unsure of what they wanted, of where they were going. And so, they are easily attracted to any path and equally disillusioned with that path," Ress said. In fact, most of those interviewed said they chose retail sales simply because they "knew they could get the job," Ress said.

And their on-the-job experience turned out to be very different from their expectations. Ress described the sales floor of any store as the place "where the vague but positive meet the directed and realistic"—the store managers. After this clash, the retail sales people told Ress they were disillusioned and, essentially, felt disinterested in their jobs. They gave some basic reasons.

First, they felt that their supervisors adopted an attitude of superiority toward them, looked down on them. They felt their supervisors saw them simply as warm bodies that could easily be replaced by other warm bodies, not as interested and interesting people with special qualities.

(Incidentally, the sales people also said they felt their supervisors often acted in the same high-handed manner toward the customers in the store. Now, how's that for reinforcing positive behavior in your sales staff?)

Second, the sales people said their supervisors' behavior reinforced that superior attitude. Their supervisors were not open to suggestions about merchandise, display, or selling techniques (and remember, the opportunity to be creative was especially important to these people and to why they decided to work in retailing in the first place). And, their supervisors were inconsistent in dealing with sales people from day-to-day and from person-to-person.

Finally, and perhaps most importantly, the supervisors were seen as putting the sales people in a "we vs. them" position by withholding information. Few of the sales people Ress talked to had been offered any on-the-job training in how to deal with customers, none were offered selling technique training, none were offered courses or information on the merchandise they were expected to sell, and few were even offered information about what plans the store had or what merchandise was coming in.

Does that sound like your store?

WHO'S MINDING THE STORES?

workers, according to a FAIR study. Most of the stores where they work employ between five and seven hourly workers, usually just over half of them work there full-time, according to the AM Retail Panel.

(See the charts that accompany this article for details. Also see our story, "Why They're In Retailing" for a closer look at the type of people who work in retail stores.)

In general, the members of the Retail Panel are dissatisfied with their hourly employees. "We have a hard time finding someone who is really interested in the job, not just getting a paycheck," Ray Downing, of Ray's Auto Supply, Seneca, KS, said. Downing's thoughts were repeated over and over again by other Retail Panel members.

Nevertheless, these same employers will bend over backwards to keep someone whom they consider to be a "good" employee on their payrolls. "We give them special caring attention," Louise Horine, of T.R. Saylor & Co., Walkersville, MD, said.

WHO'S MINDING THE STORES:

HOW MANY WOMEN?

We asked our Retail Panel: "How many of the sales clerks, stock room helpers, countermen, and assistant managers who work in your store are women?" Some 26% had no female employees, 31% had at least one female employee below the store manager/ owner level.

Stores With 0 Female Employees	26%
Stores With 1 Female Employee	31
Stores With 2 Female Employees	23
Stores With 3 Female Employees	10
Stores With 4 To 9 Female Employees	5
Stores With 10 Or More Female Employees	4

Source: 1988 *Automotive Marketing* Retail Panel Percentages may not total to 100% due to rounding and/ or multiple answers.

WHO'S MINDING THE STORES:

HOW MANY MINORITIES?

We asked our Retail Panel: "How many of the sales clerks, stock room helpers, countermen, and assistant managers who work in your store are black, hispanic, or some other minority?" The majority of stores did not employ minorities. Of those that did, most were on the West Coast.

Stores With 0 Minority Employees	71%
Stores With 1 Minority Employee	7
Stores With 2 To 9 Minority Employees	10
Stores With 10 Or More Minority Employees	3

Source: 1988 *Automotive Marketing* Retail Panel Percentages may not total to 100% due to rounding and/ or multiple answers.

"We try to treat them fairly, give praise when it's deserved, merit increases when possible, and train them to do more so that they can feel more of a part of the system and advance higher in the company," David Elliott, of Chief Auto Parts, Antioch, TN, said.

Some employers are willing to go to extremes to accommodate "good" employees. One nameless Waterbury, CT, retailer claims he "pays top wages, gives benefits—dental, health, glasses—everything, the use of a company motor home for three to five weeks each year, and use of free dealer plates for their new Corvettes."

Why go to such extremes to keep hourly employees, hourly employees who are often unsatisfactory to their employers? Because help—any kind of help—is hard to find.

The Labor Shortage

There is a shortage of entry-level hourly employees and every aftermarket retailer knows it.

The labor shortage can be explained in a few simple, declarative sentences: The population growth rate is leveling off. The U.S. Bureau of Labor Statistics says the population growth for civilians 16-years-old and older will drop from a rate of 1.4% per year in 1986 to about 0.8% in 1995. The same source says the population of Americans between 16 and 24-years of age, the prime age for entry level workers, will drop from 23.5 million in 1986 to about 21 million in 1995. The result is fewer new workers. And, more importantly, those fewer workers will be needed to fill a growing number of jobs—about 130 million jobs in 1995 compared to 110 million jobs in 1986. Between 1986 and the year 2000, about 1,200,000 of those new jobs—an increase of 33%—will be in retailing.

WHO'S MINDING THE STORES:

HOW LONG DO THEY STAY?

We asked our Retail Panel: "How many of your sales clerks, stock room helpers, countermen, and assistant managers leave you each year?"

Fewer Than 50% Of The Employees Leave After 5 Years	38%
Fewer Than 50% Of The Employees Leave After Being There 1 To 5 Years	38
Fewer Than 50% Of The Employees Leave After Less Than 1 Year	19
More Than 50% Of The Employees Leave After 5 Years	14
More Than 50% Of The Employees Leave After Being There 1 To 5 Years	14
More Than 50% Of The Employees Leave After Less Than 1 Year	3

Source: 1988 *Automotive Marketing* Retail Panel Percentages may not total to 100% due to rounding and/ or multiple answers.

Aftermarket retailers are already feeling the pinch. Fully 71% of *Automotive Marketing's* Retail Panel members said they have trouble hiring hourly employees. "It's a problem that everyone has—this shortage of young people. It is a general retail problem," Hoy, of Nationwise/ Guarantee, said.

"The market place for retail employees is tight. It is very difficult to find the quantity of people needed to staff the stores. And it is even more difficult to find those who are interested in staying a year to a year and a half," Dan Garcia, director of personnel for the 212-store Trak Auto chain, said. Trak has about 1,500 hourly employees, Garcia said.

A National Retail Merchants Association (NRMA), New York, report on labor demographics by Dr. Oscar Ornati sums the problem up neatly. "To the retail industry this is a serious problem because of its large proportion of young employees, its high turnover rates and the importance of minimizing labor costs given the intensity of the industry's competition. Forecasts for the future point to larger increases in labor demand from service sectors other than retailing, suggesting that the supply of qualified young workers to the retail industry is expected to decline faster than it has in the past."

"The problem is the demographic trends. People who work in our stores are entry level and are not paid a whole lot. The people available to work in our stores are going to be fewer and fewer. We are already seeing it happen in our market now," Judy Broseker, director of research for APAA, said.

"The labor shortage is due to changes in demographics and it will last. Retail stores are largely staffed with first time employees and there will simply be fewer of them, " Alice McCord, senior vice president for reseach with the NRMA, said.

What The Shortage Means To Retailers

The shortage of help represents more than just numbers on some economists' balance sheet. It represents real, in-store hardships for some retailers. It means that cash registers go unmanned, that parts orders go unfilled, that some night and week-end shifts are badly understaffed.

Over 75% of retailers responding to an NRMA survey said that the labor shortage is a serious problem. Another 70%

WHO'S MINDING THE STORES?

said it is detrimental to profit. And another 65% of them believed that labor shortages reduced customer satisfaction.

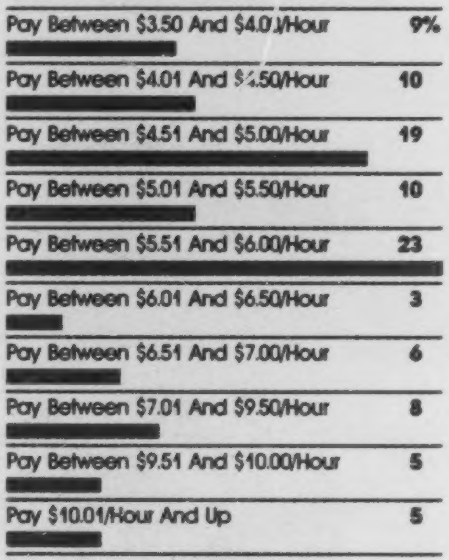
"It's real simple, we are doing less business and charging customers more," the retailer from Waterbury, CT,—the same one who makes a company motor home available to the employees he has—said.

Admittedly, the labor shortage is often a regional problem. Garcia noted that he has more trouble staffing Trak stores in Los Angeles and in the Washington, DC, and Maryland areas than he has in other areas. Another Maryland retailer, Louise Horine of the T.R. Saylor & Co. stores, agrees with him. "There are so many attractive government jobs in our area that people are not so interested in the demands of retailing," Horine said.

WHO'S MINDING THE STORES:

HOW MUCH DO THEY MAKE?

We asked our Retail Panel: "What is the average wage of the sales clerks, stock room helpers, countermen, and assistant managers you now employ?" More than one half pay between $4.51 and $6.00 per hour.

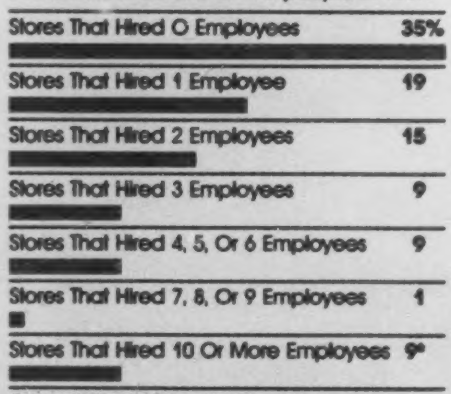


Source: 1988 *Automotive Marketing* Retail Panel
Percentages may not total to 100% due to rounding and/or multiple answers.

WHO'S MINDING THE STORES:

HOW MANY DID THEY HIRE?

We asked our Retail Panel: "How many sales clerks, stock room helpers, countermen, and assistant managers did you hire in 1987?" Some 34% hired one or two people in 1987.



Source: 1988 *Automotive Marketing* Retail Panel
* In general, these were new store start-up.
Percentages may not total to 100% due to rounding and/or multiple answers.

In some areas, "rust belt" areas where heavy manufacturing has gone away, retailers have no problem filling jobs. But even there, when workers are laid off from heavy industry the unemployment benefits are so good that they do not apply for retail jobs until benefits run out, according to some aftermarket retailers.

But even when retailers do get answers to their want ads, "Most new employees do not consider auto parts stores as a career. There is low pay and few benefits as compared to other fields," one Granada Hills, CA, retailer said.

But in some areas, retailers are just lucky. "I have no trouble finding people to work for me. There are lots of people looking for jobs. Normal intelligence and respect makes them good employees," Jessie F. Holms of Nine Mile Auto Parts, Pensacola, FL, said.

The Issue Of Money

In many cases, the quantity and quality of employees available to retailers is determined by one factor and one factor only—money.

"I compete with union workers whose union can force employers to pay high wages and bennies for little work," Thomas T. Hamilton, a Western Auto Associate in Ironton, MO, said.

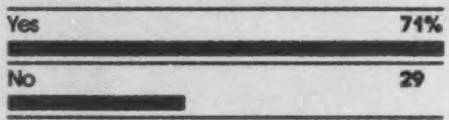
"Good people are hard to keep at the wages a small business can afford to pay. We are struggling, we do as much as we can for them," James Willey, of Waverly Motor Supply, Waverly, IA, said. Willey said he will pay an average of $3.35 per hour in 1988.

More than one half of our Retail Panel members told us they pay established hourly employees between $4.51 and $6.00 an hour. But 40% of them said the average starting wage for hourly help hired in 1988 will be between $3.50 and $4.00 per hour. Another 19% said those employees hired in 1988 will still be making that amount after six months on the job. Yet many of them also said that what they pay is simply not enough to attract the quantity of qualified employees they say they needed to adequately staff their stores. "You get what you pay for," Tom Hendrickson of Champion Auto, Forest Lake, MN, said.

WHO WILL MIND THE STORES:

IS GOOD HELP HARD TO FIND?

We asked our Retail Panel: "Do you have trouble hiring good, skilled sales clerks, stock room helpers, countermen, and assistant managers to work in your store?" Most said they did.



Source: 1988 *Automotive Marketing* Retail Panel

And retailing experts agree with him. "Because the ability to earn has been reduced, the retail industry no longer employs a career-oriented person. There are more part-time people, there are more part-time wages, and there are more part-time attitudes," NRMA's McCord suggests.

But throwing money at the problem is a solution that most retailers simply can not afford. "The ability to pay a wage that attracts qualified people in our area is hard to justify when the amount shops charge are not enough," Michael W. Garr, Appleway Firestone, Courd Alene, ID, said.

"We are unable to generate the margins to pay higher salaries. We would like to increase margins—but to compete with the Richways, K marts, Wal-Marts and others makes that very difficult," Louis Edwards, of Edwards & Sons Western Auto, Pahokee, FL, said.

"It is a never-ending struggle to keep the motivation, payroll, and profit picture on the same landscape," Gene Guttonsen of Gunnars Auto, Longview, WA, added.

Where Will They Come From?

So if there are fewer workers to choose from, and if retailers are unable or unwilling to pay more, where will the aftermarket store employees of the future come from? Most aftermarket retailers feel tomorrow's hourly employees will probably come from the same places they come from today.

"In five years from now, I don't see things as being very much different. People will move from one job to another, and jobs in retailing do offer more than jobs in fast food," Nationwise/Guarantee's Hoy said.

"In five years they will come from the traditional places that you would expect them to come from. You hear a lot about hiring the elderly, but for us the elderly are a small market, we get a few of them, but only a few," Trak's Garcia said.

But that will not be good enough to meet the needs of retailing in the future, NRMA's McCord said. Since the demographics for new hourly employees are not going to change in the foreseeable future, retailers are going to have to take a hard look at where their future employees will come from. In order to meet the staffing needs of the future retailers may have to change they way they recruit, hire, and pay; change the way they train and retain the employees they have; and change the way they do business. We'll look at some of those possibilities next month. ■

THE INS & OUTS OF BOLT-ON PARTS SALES

Bolt-on parts represent opportunities and problems for aftermarket retailers competing for a share of this huge, fast-changing market.

by **Edward L. Kaufman,**
Contributing Editor

In 1987, total retail sales of replacement parts were in the range of $34 to $35 billion. Remember, that estimate is just for parts; it excludes sales of tires, batteries, accessories, chemicals and automotive services. These bolt-on parts represent opportunities and problems for retailers competing for share of this huge, complex, fast-changing market.

As we define the category, bolt-on parts accounted for better than 40% of total retail sales of replacement parts in 1987, or $14.1 billion in retail sales. The preliminary projection for 1992 is retail sales of more than $18 billion.

Four functional part groups fall into the bolt-on parts category:

- Cooling System Parts

These include belts and hoses, water pumps, thermostats, and, increasingly, complete replacement radiators.

- Fuel System Parts

These include new and rebuilt carburetors, carburetor kits, fuel pumps, fuel rails, fuel injectors, and other fuel injection system parts.

- Electrical Parts

These include conventional and electronic ignition parts, wire and cable, new and rebuilt alternators and starters.

- Undercar Parts

These include three large sub-groups: brake system parts, exhaust system parts, and steering/suspension/ride control.

Here's a look at the trends for the future in these categories.

Trends For Cooling System Parts

Overall, growth prospects for cooling system items are good, better in fact than for many categories of aftermarket parts. The reason is high underhood heat in late model vehicles. Heat can be a problem because of crowded engine compartments of cars with low profile front ends.

On the other hand, belt and hose manufacturers have met OEM specifications for tolerating higher heat. Therefore, relatively rapid replacement rates may slow down during the 1988-92 period. In addition, DIYers appear to find it difficult to replace serpentine belts and molded heater hose in the tight underhood space of late model cars. This factor is also said to be hurting the sales of water pumps in DIY-oriented retail outlets.

There are no overwhelming technological problems preventing vehicle owners from doing their own replacement of belts, hoses, and water pumps. However, DIY for these items is not as easy as it once was. So, chains have to respond either with clinics, videotapes, or pamphlets showing DIYers how to overcome problems in installing cooling system parts, with tools to make installation easier, or both.

A bright spot for retailers, with or without service bays, is the increasing sales

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TRENDS FOR BOLT-ON PARTS BY OUTLET

The trends for bolt-on parts are mixed, with much variation between outlets with service bays those without.

Product Group	Market Outlook	Trends By Outlets
Cooling System	Good overall growth because of high under the hood temperatures.	Increasing retail sales of radiators; DIY sales of belts, hoses, and water pumps hurt by design changes.
Fuel System	Declining demand for carbs; steady demand for fuel pumps. A new market emerging for fuel injection parts.	Losses by stores without bays; faster growth for dealerships and diagnostic specialists.
Electrical System	Declining demand for regular ignition parts; steady demand for wire, cable, and alternators. Increasing demand for electronic ignitions modules.	Increasing need for diagnostic skills may limit sales by stores without bays. Faster growth for sophisticated installers including dealerships, specialists, and some chains with bays.
Brake System	Growth depends on miles driven per year; outlook good. No change in DIYability.	Continuing place for stores without bays, but faster growth for service merchandisers.
Exhaust System	Slow growth may result from increased use of stainless steel by OEMs. DIYability hurt by use of welded pipes.	Smaller place for stores without bays; faster growth for service merchandisers.
Steering/Suspension & Ride Control	Good picture overall. Growing potential for struts, gas-charged shocks, R&P steering, and CV-joints. Declining potential for conventional shocks.	Faster growth overall for service merchandisers than for stores without bays.

Source: 1988 Estimates & projections of the Lindsey-Kaufman Co.

THE INS & OUTS OF BOLT-ON PARTS SALES

potential for complete, replacement radiators. Chain stores account for less than 5% of radiator sales now but their market share is rising rapidly. One reason for the gain is that DIYers find it a relatively simple task to detach and replace worn-out radiators.

Radiator manufacturers disagree on sales potential by 1992. One leading manufacturer sees the possibility that retail sales of new, complete replacement radiators will approach $400 million; another sees the market remaining below $300 million.

Trends For Fuel System Parts

There will be continuing demand for replacement carburetors and carburetor kits well into the next century. Moreover, as unit sales decline, the prices charged for replacements are likely to rise. To the extent carburetors are still around, they will continue to be in demand by DIYers. On balance, slow growth in unit sales of mechanical fuel pumps will be offset by increasing sales of higher-ticket electronic fuel pumps.

The good news about the fuel pumps is that some vehicle designs call for not one but two fuel pumps. The bad news is that there seems to be a trend toward mounting one of these pumps inside the fuel tank. The tank must be dropped in order to replace this fuel pump. That won't faze some DIYers, but it will discourage others from attempting this repair.

As of 1987, there was a fuel injection system parts market of about $100 million, dominated by dealerships. By 1992, this market will rise to about $250 million. It will be shared by dealerships, tune-up/diagnostic specialists, certified service facilities run by tire and oil companies, and those independent repair shops willing to invest in training and equipment for this service. Will there be a place in this market for chain stores? Unless they are willing to provide tune-up/diagnostic service in their bays or solicit the business of installers, probably not. DIYers will find it tough to work on their fuel injection systems unless they have had extensive training in fuel systems diagnosis. On the other hand, the next five years may see the de-

ESTIMATED RETAIL SALES OF BOLT-ON PARTS

Below is the estimated retail sales of bolt-on parts by product category in *millions* of current dollars. Note the overall growth between 1987 and 1992; the only decline is in U-joints.

Parts Category	1987	1992
Cooling System Parts (Total)	**$1,654**	**$2,054**
Belts & Hoses	645	775
Water Pumps	630	800
Radiators	275	345
Thermostats	104	134
Fuel System Parts (Total)	**$2,120**	**$3,130**
Carbs (New, Rebuilt, Kits)	1,430	2,100
Fuel Pumps	590	780
Fuel Injection System Parts	100	250
Electrical System Parts (Tota)l	**$3,010**	**$3,850**
Ignition Parts, Wire, Cable	1,630	1,750
Alternators (New & Rebuilt)	1,380	2,100
Undercar Parts (Total)	**$7,410**	**$ 9,030**
Brake System Parts (Friction, Hydraulic, Drums)	2,200	2,550
Exhaust System Parts (Mufflers, Pipes, Catalytic Converters)	2,340	2,540
Shocks	815	845
Struts	255	500
Suspension/Steering	1,245	1,700
U-Joints	220	195
CV-Joints	335	700
Bolt-On Parts Total	**$14,194**	**$18,064**

Source: 1988 Estimates & projections of the Lindsey-Kaufman Co.

WHAT SHOULD SELL?

Can retailers do a better job of selling of other kinds bolt-on parts? Yes! Here are a few ideas:

- Complete Replacement Radiators

Retailers can readily sell this category both over-the-counter to DIYers and via their service bays. Some manufacturers believe that retailers as a group can double their sales of radiators between 1988 and 1992. Two things are required: a commitment to advertising their availability, making DIYers aware that they can do the installation, and a willingness to cover better than 80% of applications through store warehouses or through feeders.

- Other Cooling System Parts

The smartest retailers engage in systems promotion; they remember to ask the antifreeze/coolant customer about belts, hoses, thermostats, and vice versa. Also they provide guidance: tips on how to change these parts in the crowded underhood compartments of the 1980s vehicles.

- Fuel System Parts

Retailers with service bays have to consider whether they are willing to let the business of installing fuel injection parts fall into the hands of dealerships, tune-up shops, tire company service bays, or the oil company service franchisers. Fuel system parts represent one of the fastest growth opportunities in the aftermarket in the 1988-92 period. However, competing for such high-tech business will require a substantial commitment to technician training. If owners of six bay general garages can find the resources to compete in this area, retail chains that operate 40, 60, and 100 service bays ought to be able to offer this service at some of their "flagship" outlets if not at all of them.

- Ignition Parts

The outlook, similar to that of fuel system parts, is for a shift to service outlets with superior diagnostic skills. Retailers with service bays can compete if they are willing to commit resources to this area. For DIY-only chains, building ignition parts/tune-up business will require more effort in producing DIY training materials and renting/loaning of diagnostic tools and equipment. On the last point, prices of hand-held diagnostic computers are likely to come down over the next few years. That will help broaden DIY interest in tackling this task.

- Undercar Parts

Here again, the chief option for DIY-only chains is to emphasize programs for guiding the latest generation of DIYers in installing brake parts, exhaust parts, shocks and struts. In addition to training store personnel on how to instruct/advise DIYers, these retailers should consider making the tools needed for such tasks as strut replacement available to customers. Some chains offer to provide spring compressors; a few offer to use their equipment to compress springs for their customers. In any case, DIY stores have to find ways to assist customers in coping with some demanding tasks.

To achieve really substantial gains in undercar parts sales, retailers will have to enter the service business. Some chains, like Chief Auto, are experimenting with service bay operations at selected outlets. Nationwise recently recently moved into services by acquiring a smaller, service-oriented chain, Guarantee Auto.

What are the other options? Acquisition of—or opening new—service outlets might make sense. For a look at how to do it, see *Automotive Marketing's* February 1988 story, "Is Service For You?" on page 41, the March 1988 story, "How Much Is Enough?" on page 85, and the story in this issue, "Staffing Your Service Bay For Profit."

THE INS & OUTS OF BOLT-ON PARTS SALES

velopment of economical, hand-held diagnostic equipment which will be available to DIYers as well as pros.

Trends For Electrical Parts

The big replacement market for alternators will continue, and they will remain a good item for retailers because they are relatively easy to detach and replace.

Conventional ignition parts—even distributor caps—are being phased out of automotive systems. The question for the future is whether DIYers will attempt to do their own diagnosis of electrical system/engine performance problems—and their own replacement of parts like electronic ignition (EI) modules—or will they entrust this work to professionals.

Some DIYers will try do anything even if they lack the know-how to do it right. For example, numerous DIYers have tried to solve performance problems by doing their own replacement of EI modules. It is a relatively easy task to detach and replace these ignition modules; the harder task is to find out whether replacing them will solve the problem. In other words, the late model vehicles put a premium on diagnostic skills and equipment.

Certainly, a percentage of DIYers will gain the skills (and perhaps the equipment) to perform their own tune-ups on computerized vehicles of the late 1980s. On balance, manufacturers of ignition parts see slower growth in retail stores on many types of ignition parts. The gainers will include those service merchandisers and traditional installers willing to make a substantial investment in recruiting and training diagnostic technicians.

The service merchandiser category includes most tune-up specialists (those who intend to survive!), some mass merchandisers, tire company chains, and those oil companies with automotive service franchises at selected stations. The traditional installers include most dealerships and some general repair shops. Dealerships have obvious advantages for competing for tune-up/diagnostic work on computerized vehicles. Independent garages ought not to be ignored. Some, those unwilling to make an investment, will drop out of the business of servicing computerized engine systems. However, the larger, better managed garages are acquiring the know-how to compete for this business. Significantly, garages of this type have credibility with car owners.

For retailers, selling ignition parts for modern vehicles will require more effort in providing guidance and diagnostic equipment to DIYers. This means more and better training material. There may be increasing revenue opportunities in selling, or renting, diagnostic devices.

Trends For Undercar Parts

The brake system remains importantfor retailers, both in over-the counter sales of brake shoes and disc pads and in service bay repairs. DIYers can still—and do—change shoes and pads on late model vehicles. On the service side of the business, there has been a trend toward price point merchandising; for example, $59.95 "brake specials."

In order to reach "magic-number" prices, merchandisers have to narrow the scope of the service offered. For example, a price of $59-69 on a brake special is possible if it applies to only one axle.

One brake parts manufacturer said, "It may not be a bad idea to offer service on one axle. In front wheel drive cars, the front brakes tend to wear out twice as fast as the rear brakes. However, car owners have to be aware of what they are buying. A price of $59.95 may be a good value if it includes resurfacing of drums or rotors. On the other hand, a price of $49.95 may be a bad value if it only includes replacement of shoes or pads."

Retailers' position in the exhaust system parts category is complicated by geography, demographics, business format, and inventory policies. For example, stores without bays in the mid-south and the Southwest—like AutoZone and Checker/Schuck's/Kragen—have lots of DIY customers but less call for exhaust parts because of slow rust-out.

In general, retailers find it burdensome to stock exhaust parts because of the number of parts required to cover 80% or better of applications. In addition, mufflers and pipes take up a lot of storage space. On the other hand, service-oriented chains are active in merchandising exhaust systems service for their bays. Typically, these stores rely on local jobbers for prompt availability of the necessary mufflers and pipes.

For retailers, some of the big questions for the future of exhaust pipes include: How will stainless steel affect replacement rates? And, how much of the business will muffler specialists have? See *Automotive Marketing's* March 1988 (page 18) Market Line story "Exhaust Parts: Stainless Steel, Specialists, And Still Strong DIY" for some of the answers.

Trends For Ride Control

There is better news for retailers on suspension/steering/ride control products. DIYers can still replace shocks and there is a clear trend toward higher value, higher ticket gas-charged shocks. On the other hand, there are problems for DIYers in installing struts; these are difficult—even dangerous—to install without the use of proper spring compressors. Some chains meet this challenge by loaning or renting the necessary tools.

Retailers have growth opportunities in installing a broad range of suspension and steering parts, including ball joints, rack and pinion steering parts, and CV joints, in addition to traditional ride control parts. But, retailers face formidable competition from the muffler shops and tire dealers who are broadening their line of undercar services. What can retailers do about this type of competition? Otasco,

OUTLOOK FOR REMANUFACTURED BOLT-ON PARTS

The outlook for remanufactured bolt-on parts is mixed. For instance, sales of remanufactured water pumps could be hurt, while sales of remanufactured alternators stay strong.

System	Reman Parts	Outlook
Cooling System	Water Pumps	Rebuilders hurt by core losses on aluminum body pumps & by imports of new replacment pumps.
Fuel System	Carbs, TBI Units, Diesel Pumps	Gradually declining market for rebuilt carbs; continuing demand for rebuilt throttle body injection (TBI) units.
Electrical System	Alternators, Starters Solenoids, Distributor Caps, Starter Drives	Continuing sales of rebuilt alternators; declining sales potential for distributor caps.
Brake System	Master Cylinders, Disc Brake Calipers, Lined Shoes	Continuing deman for these rebuilt items.
Exhaust System	Nothing	No foreseeable role for rebuilt mufflers or pipes. Possible role for rebuilt catalytic converters.
Suspension/Steering	Power Steering Units, Rack & Pinion Units, CV-Joints CV-Boot Kits	Continuing role in power steering and R&P; mixed picture for CV-joints because of falling prices.

Source: 1988 Estimates & projections of the Lindsey-Kaufman Co.

THE INS & OUTS OF BOLT-ON PARTS SALES

Tulsa, OK, found an answer by establishing a separate chain of stand-alone undercar specialists, Rapid Muffler (recently sold). This strategy gives Otasco three shots at prospects for undercar parts: The Otasco parts counters, their store service bays, and the service bays of Rapid Muffler shops.

Trends For Remanufactured Parts

"Reman" has traditionally been important in such lines as water pumps, carburetors, alternators, starters, solenoids, and distributor caps; brake partssuch as master cylinders, disc brake calipers and brake shoes; power steering units, rack and pinion steering, and CV joints.

There is substantial demand for rebuilt water pumps. But during the 1981-85 period, water pump rebuilders were hit by two problems: a shift in OEM design from cast iron to aluminum pump bodies. That hurt—and continues to hurt—because of higher core losses on aluminum than on cast iron. The other problem had to do with exchange rates: when the dollar was strong it was often less expensive to import new replacement water pumps than to rebuild them domestically. Now, presumably, it will become more economical to do more rebuilding domestically.

Rebuilders are obviously faced with a declining market on carburetors. However, it will be years before demand for rebuilt carburetors totally dries up. In the meantime, declining unit sales will be offset by higher prices. Throttle body injection (TBI), also called single-point injection, represents a transitional type of fuel handling between carburetors and multipoint fuel injection. TBI may be phased out of passenger cars in a few years, but in the meanwhile demand increases.

Rebuilders dominate such electrical parts markets as alternators, starters, and solenoids. Demand for these reman items remains strong. However, rebuilders expect to see less business on distributor caps because of the movement to distributor-less ignition. Of course, the full impact of that design change won't be felt in the aftermarket for a few years.

There is a big role for rebuilders, local as well as national, in supplying such brake parts as master cylinders, brake shoes, and disc brake calipers.

There is no role for rebuilders on conventional exhaust parts such as mufflers and pipes. However, rebuilders manage to find a place in supplying electro-mechanical items which are associated with the exhaust systems. Arrow Automotive, Framingham, MA, for example, includes smog pumps in its line.

Some new markets for rebuilders are in suspension/steering, including such lines as rack and pinion steering and CV joints. Remanufacturers differ in their attitudes about the CV joint market. Arrow Automotive remanufactured CV joints supplied by GKN for its line. However, when prices of reman CV joints fell sharply, Arrow withdrew from this market.

On the other hand, Champion Parts Rebuilders, Chicago, plans to rebuild and market CV drive shafts. Charles Schwartz, president, reasons that complete assemblies are more reliable than replacing individual pieces. Moreover, installing a complete drive shaft is easier than tearing the system down to replace pieces. In fact, replacement of complete CV drive shafts is within the capability of many DIYers. For these reasons, Champion Parts Rebuilders expects to sell CV drive shafts via retailers as well as through the WD/jobber channel.

Retailer Perspectives

From the retailers' point of view, the sales outlook for bolt-on parts varies by region but is generally optimistic.

Near-term prospects for brake system parts are generally good. However, there is some concern that longer lasting semimetallics will mean slower growth for brake friction product sales. Some retailers expect continued growth in DIY brake business, others see this side of the business slowing relative to installation.

On cooling system parts, such as belts and hoses, thermostats and water pumps, retailers see increases of 5% to 10% for the near-term. Changes in the OE positioning of thermostats under the hood have made them more accessible to DIYers. On the other hand, one retailer observed that it is becoming harder to install molded heater hose.

When it comes to conventional ignition parts, retailers believe that there are enough old cars on the road to sustain a growth rate of 2% to 5% for 1988 and about 1-2% per year through 1990. However, sales of tune-up kits and spark plugs are trending downward. The consensus outlook is for declining sales on conventional ignition parts in the 1990s.

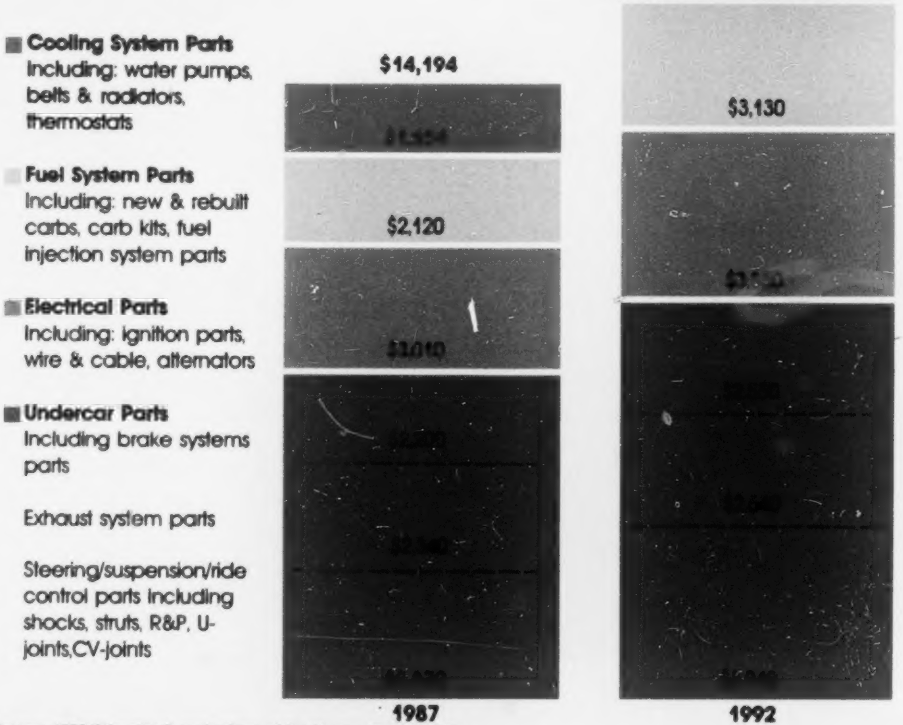
Views on suspension/ride control parts are mixed. Some retailers see declining DIY sales potential. Others expect DIY sales of these categories to continue to increase. In general, retailers see good overall prospects for these parts, meaning faster growth for service specialists than for DIY-oriented chains. Making tools availabel is helpful in retaining DIY business on struts.

Regarding fuel system parts, the big question for the future is whether DIYers will tackle repairs on electronically controlled vehicles of the future; only a minority of retailers are optimistic. Meanwhile, retailers are active in selling replacement carburetors and kits.

But despite geographic differences, there is a general consensus that both near-term and long-term prospects for exhaust system parts are declining. ■

THE RETAIL MARKET FOR BOLT-ON PARTS

Estimate for 1987, projection for 1992
(In millions of current dollars)



Source: 1988 Estimates & projections of the Lindsey-Kaufman Co.

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AUTOMOTIVE MARKETING

1988

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CONTENTS

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Chilton's
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MARKETING

FEATURES

The Market Changes 8
A look at how our market has changed and how it will continue to change.

A Look At Today's Consumer 25
A look at who the DIY consumers are, what they buy, why they buy what they do, and where they buy aftermarket products.

Taking Your Products To Market 30
One success story and one failure story to give you pointers on taking your products to the aftermarket.

Smart Advertising Makes Money 36
Advertising brings customers to your door. Here's a primer to help you get the most from your advertising and co-op dollars.

Design Your Store For Profit 45
A well-designed store makes more money. Here's how to get the most out of your retail space.

Merchandise Your Store For Profit 56
Successful merchandising can be a powerful retail tool. Here are some ideas on how to do it right.

Computerize Your Store For Profit 66
Computers are a must for today's retailers. Here's the latest in hardware, software, and new ideas.

Shopping Your Competition 75
Your competitors can be your best sources of information. Here's how to get the most out of a shopping trip to another store.

DEPARTMENTS

Introduction 5
Aftermarket Distribution Chart 6
Directories 80
  Automotive Retailers 80
  Wholesale Distributors/Feeders 83
  Programmed Distribution Groups 84
  Automotive Franchises 85
  Discount Stores 89
  Drug Store Chains 90
  Food Store Chains 91
  Hardware Distributors 93
  Warehouse Clubs & Hypermarkets 94
Rep Guide 95
Four Color Catalogs 111
Ad Index 122
Reader Service Cards 123

INTRODUCTION

It all starts with one. Every super-sales-star made his or her first sale. Every business, no matter how large, had its first (and only) customer at one time. Every retail chain chose its first location. Every product line had its first SKU.

This book, the third edition of *Automotive Marketing's Retail Aftermarket Guide*, was created to help those people new to the automotive aftermarket make their first sale, gain their first customer, choose their first store site, decide which product to start their line with. *But*. . .

It is intended to do more than that. This *Guide* will continue the education of the veterans in the marketplace by helping them continue to make sales, add customers, broaden marketing areas, and add meaningful items to the products already in the line.

We've compiled the best information at hand to achieve this purpose of continued profitable growth in a rapidly changing marketplace. You know, for years we've been hearing those words—"rapidly changing marketplace'"—and they held a lot of truth in those days. That truth is *nothing* compared to the changes taking place at an accelerated pace between our monthly deadlines.

Lately it's been a game at the *Automotive Marketing* editorial offices to see how "current" the news we print about mergers, consolidations, and repositionings can be while we still make our time slot on the printing presses.

With this annual *Guide*, too, we've played a waiting game, holding off at long as possible to make the changes in the directory listings as current as they can be. Even so, there are current rumors of corporate changes which may become truth before the postmen deliver this volume.

We have, though, made every effort to be as timely as possible.

Some things are almost timeless, and change at an evolutionary, not a revolutionary, pace. Take, for instance, that utterly complex, two-page chart on aftermarket distribution. Way back when, that chart could have been one column with two boxes, manufacturers selling to accessory shops. The accessory shops were adding items for the new-fangled horseless carriage to their lines of bicycle supplies and accessories and their line of buggy whips. Those were the first sales to the first customers of the first items in the automotive products line.

The current chart is complicated, to say the least, and we find it limiting to be able to use only two dimensions as we illustrate the automotive aftermarket product flow.

You'll get some sense of history, and some perspective on the future, when you read the chapter on how the market is changing and proceed through the chapters on today's consumer and his/her buying patterns and preferences, and the chapters on commodity products and other merchandise sold through this distribution channel.

Advertising has altered the parts distribution greatly since its original newspaper ad appearance, and our chapter on retailer advertising takes a look at the customary practices from the retailer's planning side. More startling is the look at how the advertising support from the manufacturer has changed. It's gone from a (not so) simple practice of reimbursement on a percentage basis for funds spent on actual advertising of specific products to an industry practice of merchandising allowances.

Store operations are a critical partner with product management in the retail bottom line, so we've included chapters on store design, specific in-store merchandising, and computerization.

With complex technology on vehicles and an aging population, some retailers are guaranteeing their continuing parts sales and profits by offering parts and accessories installation. You'll learn the some of the whys and specific hows in our section on service bay management.

Because this *Retail Aftermarket Guide* is intended to stay within your easy reach until the next edition appears on your desk, we include directories for year-round reference. As noted above, they're as current as we can make them.

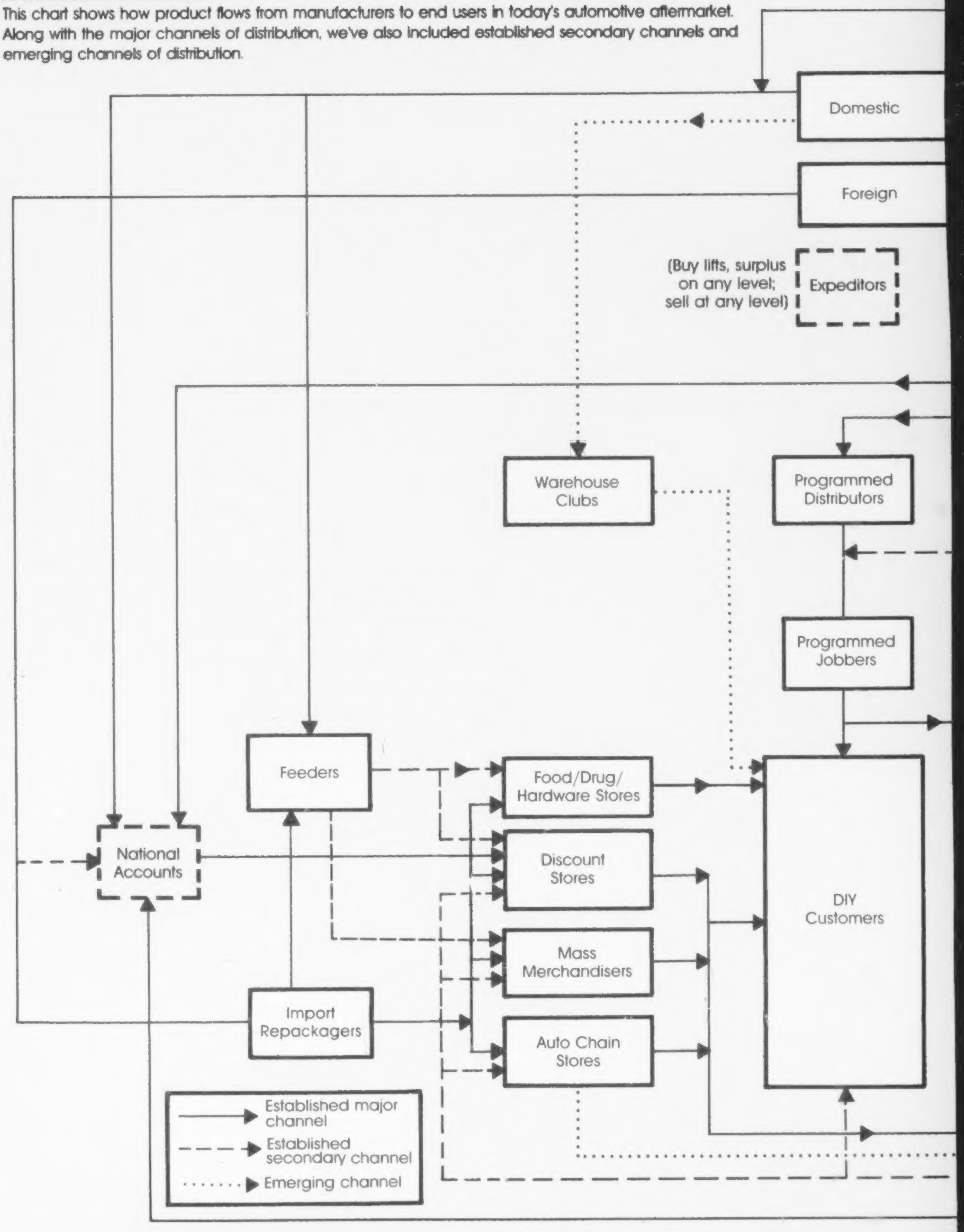
The *Automotive Marketing* editorial staff of Managing Editor Gail Krueger-Nicholson, Senior News and Feature Editor John Wirebach, Research Editor Philip Katcher and our Contributing Editors Edward L. Kaufman, David A. Evans are the source of the retailing wisdom in this volume as are the consulting professionals of Touche Ross and Stuart Landow. Editorial Assistant Bonnie Shannon deserves a reward for her good work in keeping current with the industry changes which altered the directories, every day, day in and day out. Our Editorial Intern, Nellann Phelan, found the four color catalog section at the back of this volume a learn-by-doing experience. Art Director Janet Taylor packaged it most efficiently and compactly *and* attractively. The *Automotive Marketing* sales staff provided financing for this publication.

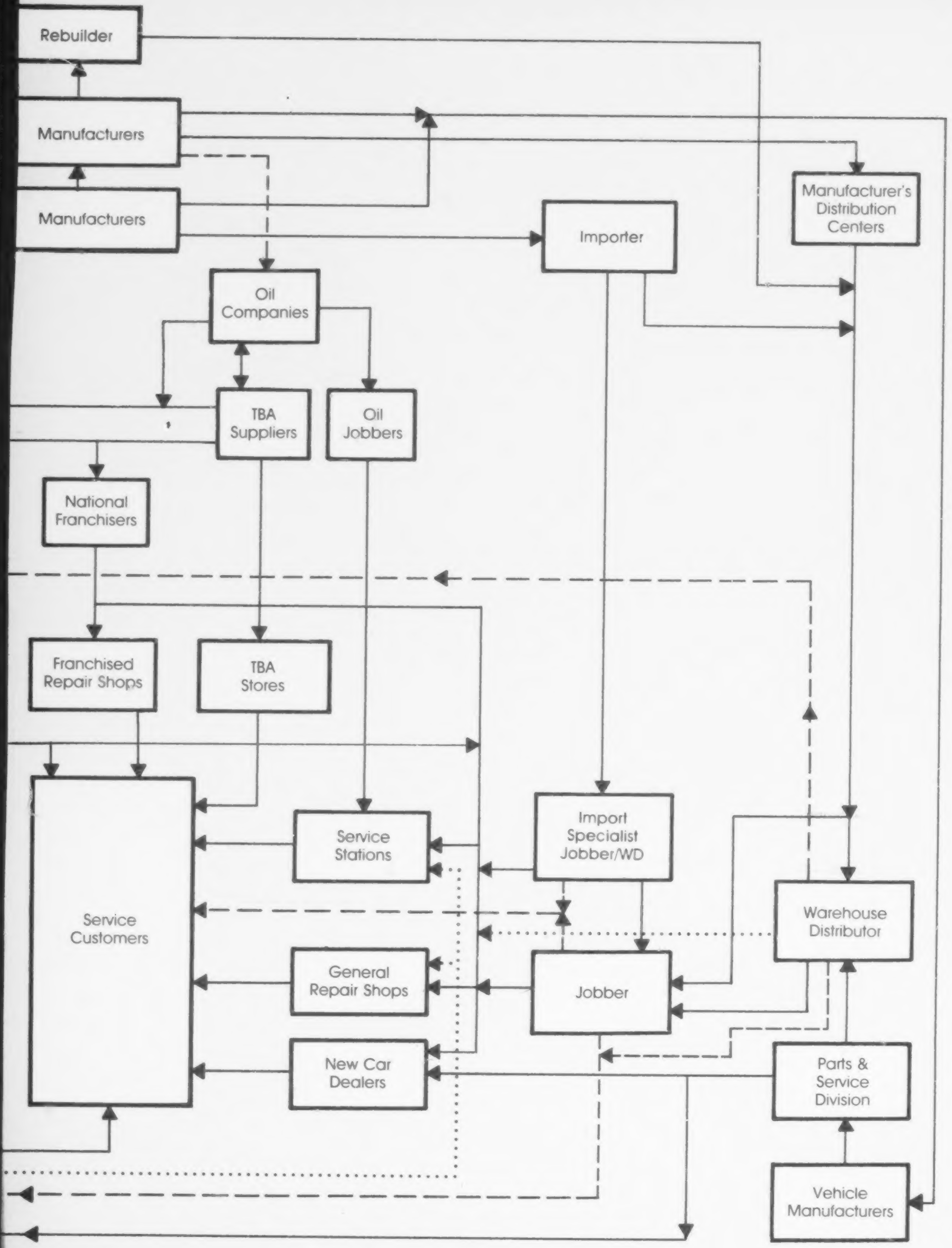
We hope you find it useful. And, as usual, we'd like your reaction. Please take a minute to use the reader service cards and tell us what you like best, (and least if anything), about the volume. ■

Rosemarie Kitchin,
Editor

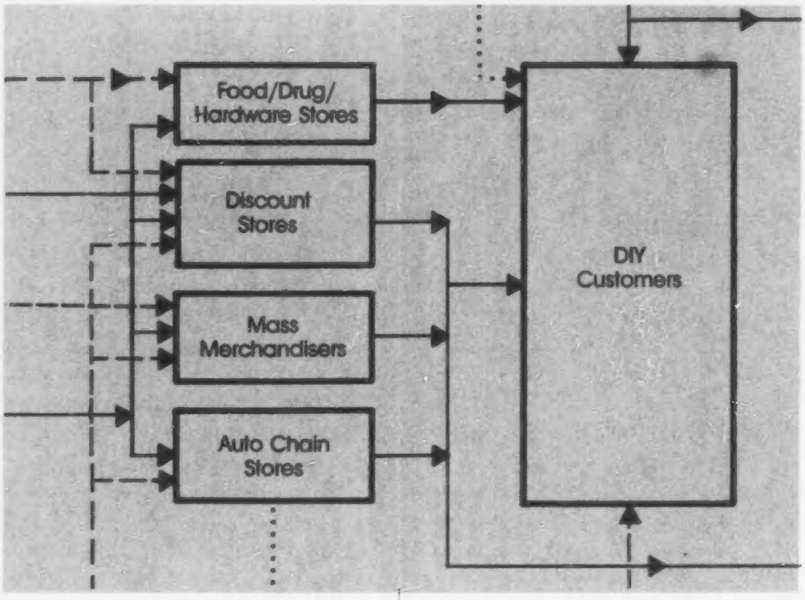
AFTERMARKET DISTRIBUTION

This chart shows how product flows from manufacturers to end users in today's automotive aftermarket. Along with the major channels of distribution, we've also included established secondary channels and emerging channels of distribution.


Domestic
Foreign
(Buy lifts, surplus on any level; sell at any level)
Expeditors
Warehouse Clubs
Programmed Distributors
Programmed Jobbers
Feeders
Food/Drug/ Hardware Stores
National Accounts
Discount Stores
DIY Customers
Mass Merchandisers
Import Repackagers
Auto Chain Stores
Established major channel
Established secondary channel
Emerging channel


Rebuilder
Manufacturers
Manufacturers
Manufacturer's Distribution Centers
Importer
Oil Companies
TBA Suppliers
Oil Jobbers
National Franchisers
Franchised Repair Shops
TBA Stores
Service Customers
Service Stations
Import Specialist Jobber/WD
Warehouse Distributor
General Repair Shops
Jobber
New Car Dealers
Parts & Service Division
Vehicle Manufacturers

THE MARKET CHANGES



Today's aftermarket breaks down, very roughly, into one-third do-it-yourself (DIY) and two-thirds service segments. The main competitors for the 30-35 billion DIY dollars are retail parts chains, mass merchandisers, and jobber/retailers. Competing for the 60-70 billion service dollars are the traditional service outlets, such as gas stations, garages and car dealers, as well as newer service providers such as tire stores, chain store service centers, and the service specialists.

Both segments experienced dramatic changes in the 1970s and 1980s, and here's a quick overview of the changes and what we might expect in years to come.

The DIY Market

On the DIY side of the market, two key changes were the increase in retail sales by jobber stores through programmed distribution (hence the new term: jobber/retailer), and a growing number of consolidations mainly through conglomerate ownership.

Programmed distribution simply means that a jobber does more than buy goods from a warehouse distributor (WD) who's affiliated with one of the programs. He also buys a whole marketing program and contributes a fee, or a percentage of sales, to support the group's advertising and merchandising work. A programmed WD takes the product all the way through the channel, from acquisition to merchandising. However, the original key to programmed distribution was group buying power; today some groups remain only a buying group and do not provide marketing services and other types of support.

Programmed distribution became a buzz-word in the 1970s, but the two largest groups, NAPA (Atlanta) and APS/Big A (Houston), date from 1925 and 1952 respectively. About 500 WDs and perhaps 17,000 jobbers (approximately two-thirds of the jobber population) are currently affiliated with some kind of programmed distribution group.

Group buying enables the WD to pass along better prices to his jobbers, particularly in the more popular commodity items. With more competitive pricing in the popular items, and help with merchandising, the jobber can exploit his advantage in depth of parts and service to the customer over retail chains.

In addition to better pricing, a group can offer the small jobber better advertising and marketing programs. NAPA, for example, spent over $8 million in 1986 on consumer TV advertising, and other programmed groups such as Carquest, Tarrytown, NY, and Bumper to Bumper, Nashville, TN, were also among the leading retail automotive television advertisers. Then too, many new stores opened by the major program participants look more like retail stores geared to the DIY shopper than they look like traditional jobber outlets. These stores have lots of glass, bright lights, big signs and displays, long aisles, endcaps, and clean-cut personnel on the sales floor. In fact, at many new locations, a DIYer would be hard-pressed to tell the difference between a retailer and a programmed jobber. Not only did this help DIY sales, but, as one group's marketing director noted, professional customers are also impulse buyers and wholesale sales increased in their new stores.

By and large, the programmed groups feel they're over the hump on retailing. By copying merchandising and advertising techniques from the volume retailers, and through group purchasing power, they feel they've reached a satisfactory limit of about 30% DIY sales. Overall, in 1971, according to Motor Equipment Manufacturers Association (MEMA) research, the average jobber did 9% of his total business with DIY customers; by 1986, this had risen to 36%.

The Merging Market

The second change has been a

merging market due to acquisitions and mergers. We use the phrase the merging market because, it seems to us, the automotive aftermarket is merging in two crucial ways. Not only are traditional jobber stores starting to resemble retail stores, and WDs going to market like retailers, but perhaps more importantly, the market is consolidating. While the number of stores continues to increase, the number of store owners is actually declining. This is happening on both the traditional and retail sides of the market.

Consolidation, acquisition, and merger are the key topics in every aftermarket office, whether it be a WD or a retail chain, today. Practically every chain or WD seems to be for sale. And, at least for the past five to ten years, many of the buyers have been previously non-automotive conglomerates.

The reasons why conglomerates added auto chain stores to their portfolios were part of standard business decisions. The conglomerates saw a fragmented market with no national chains and lots of single store operations. In addition, the conglomerates felt the aftermarket was behind the times managerially. But, perhaps most importantly, they were attracted by the high margins in automotive parts and accessory sales compared to other forms of retailing.

Probably the best example of a conglomerate operations is Northern Pacific, a New York holding company, which first bought the Schuck's chain in Washington (about 90 stores) and then purchased over 300 Checker and Kragen Auto stores from Lucky Stores, another conglomerate retailer. In January, 1988 it added about 250 Auto Works stores, previously owned by Perry Drugs, Pontiac, MI, to form the largest owned chain in the country (Western Auto, Kansas City, MO, owned by Wesray, New York, is larger but all but about 250 stores are franchises).

Conglomerate ownership also entered the traditional market in recent years. Two of the three largest programmed distributors are conglomerate-owned. APS (American Parts System) is owned by Wickes in New York; and Bumper to Bumper is 80% owned by Alghanim International (AI), based in Kuwait. Only the NAPA program, sponsored by Genuine Parts, Atlanta, remains independent, although Genuine Parts also owns several non-automotive businesses.

The Age Of Megachains

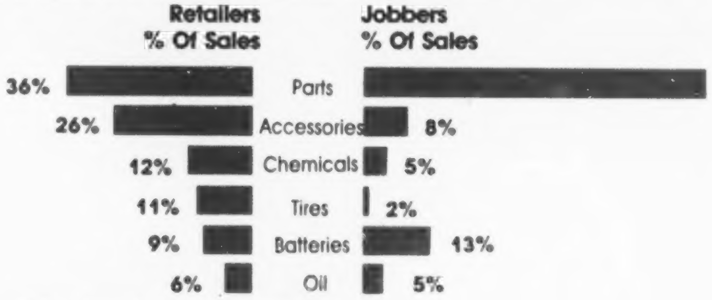
The influx of the conglomerates created the age of the megachain. By our count, there are nine auto chains or programmed distributors operating more than 200 stores. One, the Phoenix, AZ, Checker/Schuck's/Kragen (and now /Auto Works) combine operates more than 750 stores. Chief Auto, and the Genuine Parts-owned NAPA stores, are very close to 500 stores or will be by the end of 1988. AutoZone (owned by Malone and Hyde) operates over 400 and plans 80 new stores in 1988. Pep Boys, Nationwise, Western Auto-owned stores, and Trak Auto all total more than 200 each.

A good example of both the success and failure of the conglomerates is Perry Drugs created an automotive parts megachain virtually from scratch, then sold it. Perry sold some automotive product in its drug stores as early as 1976. Automotive sales attracted Perry originally because of the high margins and as a way to get men in the drug stores as customers. However, as late as 1982, Perry automotive sales were only $28.4 million.

In 1983, however, Perry went into automotive sales in a big way by buying a smaller chain, the 50-store Fleenor's chain in Indianapolis, IN. The next year it added Corvairs' 47-store Ohio chain, and 25 stores in Saint Louis previously owned by Lambert/Singer and Pappy's. Major acquisitions continued at Perry:

RETAILERS AND JOBBERS: WHAT'S THE DIFFERENCE?

Although some newer jobber/retailers stores look like auto chain stores, there are still distinct differences between the two types of stores. The single most important difference is in what they sell. Roughly two-thirds of jobber sales come from parts sales, while sales of accessories, chemicals, and oil amount to almost half of auto chain sales.



- Jobbers have been in operation longer.
- Some 40% of jobbers are counter service only.
- Chain stores are open longer hours, more days.
- Chain stores average twice as many sales as jobbers.
- Jobber stores advertise much less.

Source: Frost & Sullivan, APAA FAIR Study

In 1986, Perry added the 17-store Trio Auto Stores in northern Michigan to the chain, plus several smaller independents.

However, Perry had difficulties integrating four different marketing philosophies. Between 1983 and 1988, Perry Auto Works had four different management teams. In addition, distribution and computerization of some 250 stores presented problems despite the opening of a state-of-the-art warehouse in 1986. Although the Auto Works stores were still said to be profitable ($133 million in sales), Perry Drugs reported its first loss ever in 1987, losing $7.9 million on sales of $726 million (drug and auto stores combined). Shortly after reporting the loss, Perry sold the Auto Works stores to the Checker/Schuck's/Kragen combine.

Perry is not alone; other conglomerates have also had problems integrating automotive sales into a corporate operation. Stores such as Pay N' Save (which owned Schuck's briefly), Rite Aid Drugs, Southland Corp. (which ran Chief Auto along with its 7-Eleven convenience stores until January, 1988), and the Lucky Stores (which organized its Automotive Division in 1982 before selling its Checker and Kragen stores to Schuck's), have all experienced serious managerial problems before bringing in automotive personnel to run the operation.

Surprisingly, none of the conglomerate retailers has had the success of the Pep Boys chain, based in Philadelphia. Although only one of 14 chains operating more than 100 stores, Pep Boys is far and away the leader in sales per store and earnings. The management team of CEO Benjamin Strauss and president Mitch Leibowitz took over a well-managed, debt-free company and actually closed 32 stores between 1979 and 1984, weeding out nonproductive stores while other firms rushed to open new stores. At the same time, they began opening new supermarket-type stores of 15,000 sq. ft. and more (including a 42,000 sq. ft. store in Los Angeles) that put smaller competing stores to shame. To finance the opening of 60 stores in two years, they went public.

In the past five years, the chain has moved into new markets such as Dallas and Atlanta while solidifying its hold on its older bi-coastal markets based in Los Angeles and Philadelphia. Recently, Pep Boys moved all its buying to Philadelphia (previously, the Los Angeles stores operated as Pep Boys West for buying purposes). Plans call for 70 new stores in the next two years. Strauss and Leibowitz make no secret of their ambition to be the first national chain. The firm's 1985 sales were $389 million and in 1986 rose to $489 million. In 1987, sales were expected to top half a billion.

Still, just as 1988 began, there were two sales that indicate that consolidations will continue. First, PACCAR Inc, Bellevue, WA, added the 108 Grand Auto Stores, based in Oakland, CA, to its previous acquisition of 19 Al's Auto Stores (Bellevue, WA) and made itself a new player in the West Coast Market. And, Nationwise, Columbus, OH, bought the 77 Guarantee stores in Indianapolis, IN, to push its total store count well over 200.

The Impact Of Consolidation

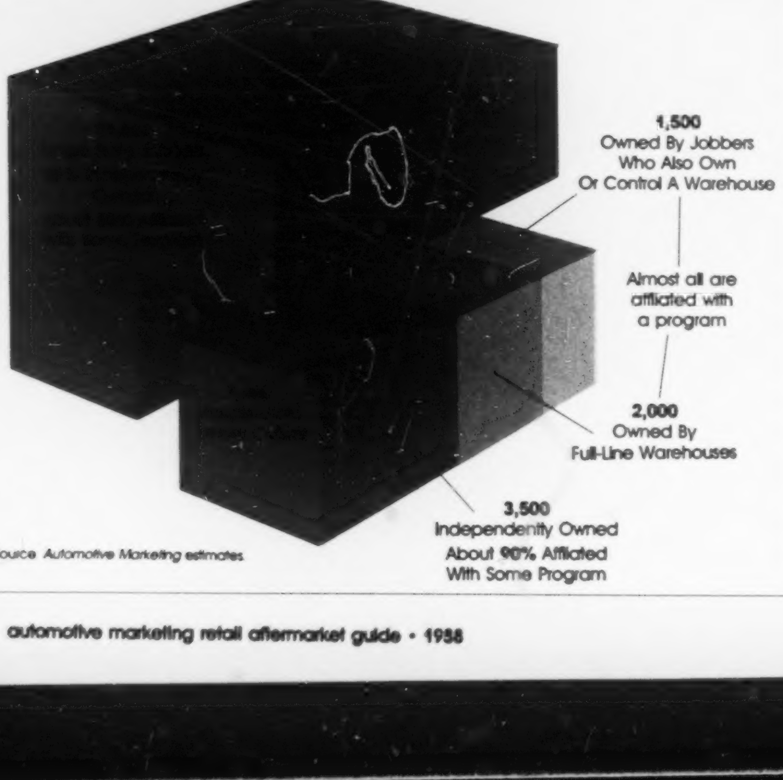
The combined impact of so much consolidation has changed the retailing picture in terms of suppliers and competition.

For the supplier, the number of potential customers continues to decline. Thus, a supplier is often forced to deal with a megachain, or at least a major chain that controls a large portion of the market. As one Southern chain store owner noted, "If a supplier wants to sell this area, he can deal with me, or he can deal with (his chief competitor). If he

A LOOK AT THE JOBBERS

Here's how today's jobbers shape up.

28,000 Total Jobbers



Source: *Automotive Marketing estimates* doesn't deal with us, he can drop-ship to 50 or 60 little jobbers." And so, the buying power of the megachains has created an era of distributor-driven retailing. Suppliers are often forced to concede large merchandising allowances.

Competition among megachains is also keen, especially on popular items. The winner is the consumer who can always get a good price; the loser is the small retailer who cannot buy in volume or buy full pages in metropolitan papers to advertise. Faced by conglomerates on one side and hard-working chains like Pep Boys on the other, the little guy is caught in the middle. And, as one retailer who's on the verge of selling out said, "There's lots of fall-out coming. The people who don't get consolidated are going to get trampled to death by the elephants. The worse place to be is in the middle. You're too big to operate with the comfort level of a small business, and you're too small to compete at the financial level of the giants.

"The guy with two or three stores is probably in the best position. He's got a lot of control. And there'll always be a place in specialty retailing for the single unit independent who does a good job of merchandising for a well-defined market. He'll always be there. The guy with 25 stores can operate small, but he doesn't have the staying power. He has to be very, very good. Most guys at that size are leveraged up the wazoo. They're trying to get controls and operations in place, and they're competing against guys who passed that point ten years ago.

"What you do in this situation really depends on your goals. If you want to be king of the mountain, you know what you have to do, you have to hang it out there and go. That's what all the entrepreneurial talk is all about. There comes a point when you get too big to back off. Then you have to either expand or sell out. If you don't want to sell out, you at least have to find some equity financing or a rich aunt."

Principally because of the few big players, the small, independent WD is also in trouble. Speaking at a Frost & Sullivan Conference, consultant Jack Creamer of Distribution Marketing Services, Darien, CT, noted that there were some 2,000 WDs in the mid-1960s; today, there're about 900. "The small WD in a metropolitan area is in trouble. He can't meet the margins and still grow, yet he has to cut prices to sell. AWDA has more major credit problems with its WDs today than ever. The volume retailers have created real problems. If you don't believe me, read Thursday's *LA Times* advertising and look at Pep Boy's 42,000 sq. ft. store. You have to ask yourself: what kind of WD are you? What kind of market are you in? And, what's the competitive situation? If you're in a metro market with two or three majors there, it's crowded. The number four and five players in the market are in trouble."

Despite the fact that wholesale sales (to professional installers) still make up the largest share of jobber sales, the loss of retail sales can be the difference in success or failure for jobbers, particularly in metropolitan areas. A study done by AI before it entered the market shows why. AI's planning charts showed that popular parts (20% of total part numbers) made up 70% of automotive parts sales. However, over 40% of the popular parts sales went to DIYers, according to AI. So not to pursue the DIY market aggressively means conceding over 40% of the available business.

WD-Owned Stores

Although programmed distribu-

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(Circle 5 on Product Information Card)

tion has made its jobbers more competitive in going for the retail dollar, it has a weakness: control of the program. As we noted above, about 17,000 jobbers are involved in programs to some degree. To what degree is the key. Most WDs want 60-70% of a jobber's purchases. But measured by that yardstick, the number of jobbers in programs would drop dramatically. And too, every single promotional program has to be sold to each and every jobber.

However, WDs are sharply divided on how vital the need for control is. For example, Fred Pischiotta, APS president, which has the Big A store program, says that lack of control is only a cop-out. "Control is not the answer. It's a frustration. The answer is in the quality of concept: having the right ingredients in the program and marketing it well. Having all the supports in place. You still need that entrepreneurial aggressiveness from independent jobbers. Our trade advertising tells it the way it is. Risk and reward. We complement the independent jobber, not control him."

WDs may be divided on the issue, but a growing trend in the aftermarket is toward WD-owned stores. This is especially true in metropolitan areas where chain stores flourish and jobbers are weakest.

The warehouse-owned jobber store is certainly not new. Traditional WDs such as Alexander-Seewald in Atlanta have owned stores since the 1890s. In fact, most of the original founders of the Automotive Warehouse Distributors Association (AWDA) began as jobbers, and many again own stores today.

In recent years, the number of warehouses owning stores has increased dramatically. Today, there are roughly 3,500 WD-owned jobbing stores. One study found that 43% of WDs own stores. Although some of the WDs may actually be captive or "paper" warehouses (owned by jobbers), an 1987 *Automotive Marketing* count of AWDA members turned up 2,017 stores owned by AWDA member warehouses.

The AWDA warehouse store chains range in size from Genuine Parts, Atlanta, which owns nearly 500 of its NAPA stores, to Quality Automotive Warehouse in Baltimore which owns one store.

Although Genuine Parts and four smaller NAPA member warehouses primarily service about 6,000 independently owned NAPA outlets, company stores play an integral part in Genuine Parts strategy and have done so since the 1920s. Genu-

REASONS FOR ACQUISITIONS

A recent study of retailing acquisitions by Management Horizons, Columbus, OH, shows that 10.8% of all auto supply store businesses changed hands between 1980 and 1985. A total of 6.6% of all retail store changed hands in the same period. Acquisitions can contribute to marketing objectives in eight ways as illustrated by this matrix.

	GEOGRAPHIC MARKETS	PRODUCT OFFERINGS	CUSTOMER SEGMENT	FORMAT
INTENSIFICATION/ EXTENSION	Bolstering or maintaining an existing market. Example: Buying a competitor	Buying a similar operation for larger market share Example: A full-line WD buys a full-line WD	The motivation is deriving more business from the same target customer. Example: A WD with stores buys a retailer.	This typically is a secondary strategy where a region or product offering strategies are most important. Example: A WD with a program buys a WD to use as a distribution center.
DIVERSIFICATION	Buying into a new market. The single largest form of acquisition. Example: A Seattle chain buys a Los Angles chain.	Moving into a new product catagory Example: A full-line WD buys a performance WD.	Acquisition designed to target a new customer base. This strategy will become more common. Example: A full-line WD buys a jobber/retailer.	Occurs when a retailer already engaged in a product offering purchases a retailer selling the same product in a different form. Example: A chain store buys a jobber/retailer.

Source: Management Horizons, examples are *Automotive Marketing's* ine Parts opened 49 company-owned stores last year and expects to continue the trend. According to president Bill Hatcher, the 450 company stores accounted for roughly 25% of Genuine's $1.8 *billion* automotive sales in 1987.

Genuine Parts has no preference for company-owned stores over independent jobbers. "Our philosophy is to be a good supplier to NAPA jobbers," Hatcher said. "I'm not in a position to speak about an industry trend, but we're opening more metro stores. We look where there's no NAPA business, where we have no distribution; mainly in metropolitan areas. Where NAPA already has good stores, we leave them alone. It's a matter of investment – real estate, inventory. For the individual jobber, it's impossible to go in because of three-four-five hundred thousand dollars in start-up costs."

Virtually every WD expects the trend toward store ownership to continue among WDs. Selling to independents may be the "cleanest way to operate," as one WD put it, but WDs are in a buying mood. The reasons for this are three-fold: First, the failure rate among independent jobbers; secondly, the retail chains continue to expand part offerings and now offer many parts that previously only jobbers sold; and finally, jobbers are buying less from WDs. The 1987 MEMA jobber study shows that full-line WDs account for only 61% of the average jobber's dollar volume purchases, a 6% drop since 1983. This is, perhaps, the key.

Shutting Out Suppliers

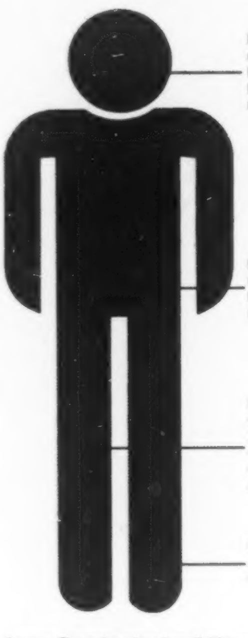
As noted above, the increase in mergers and acquisitions, and the growth of programmed distribution, shut out some suppliers from some geographic markets. As a result, suppliers made it easier for large jobbers to buy direct. The MEMA study found jobbers buy 28% of their dollar volume direct. Jobbers are also buying more from discount WDs that offer few or no services but sell fast-moving lines cheaper. Dirk Hoyt of Hi-Lo Consolidated, Houston, (a 73-store AWDA member) suggests, "If WDs don't buy their customers, eventually they're not going to have many people to sell to." Hoyt says this has already occurred in Houston where times are tough.

"There're virtually no nonaligned stores left. There's a real shakeout. Several warehouses have gone out of business, and several have such bad business they're selling direct to DIYers at jobber price," Hoyt said.

A good example of the first-time store-owning WD is Charles Scheer, chairman of Prime Automotive Warehouse in Middle Village, NY,

THE CONSUMER OF THE 1990s

The consumer is changing, and those changes will change the aftermarket. Ethnic groups and older people are the fastest growing groups in the country. By 1995, one out of every four households will be headed by a minority. By 1990, the median age will be 33, up from 30 in 1980. Also in 1990, 78% of the women between 25 and 44 will be working women, up from 65% in 1980. By 2000, the average age will reach 36. The lack of time is becoming one of the most important factors affecting businesses.



By 1995, one out of every four households will be headed by a minority.

By 1990, the median age will be 33, up from 30 in 1980

By 1990, 78% of women between 25 and 44 will work outside the home, up from 65% in 1980

By 2000, the average age will be 36

Source: The sales planning division of Procter & Gamble

THE 10 LARGEST WAREHOUSE – OWNED STORE OPERATIONS

Although there are several jobber chains larger than some on our list, most of these are jobbers with a captive warehouse. Our list is limited to full-line warehouses that meet the Automotive Warehouse Distributors Association (AWDA) criteria for membership.

Stores	Warehouse/Store Name	Location	Mostly Retail Or Wholesale
500 (est.)	Genuine Parts Co./NAPA	Atlanta	W
200 (est.)	A.I. Automotive/Bumper To Bumper	New York	W
147	Steego Parts Corp./Steego	W. Palm Beach, FL	R
130*	General Parts/Carquest	Raleigh, NC	W
100 (est.)	Fisher APW/Fisher Auto Parts	Staunton, VA	W
97	APS Inc./Big A	Houston, TX	W
90	Straus-Frank Co./Carquest	San Antonio, TX	W
87	Ozark Automotive Dist./ Ozark/O'Reilly	Springfield, MO	R
72	Hi-Lo Consolidated/Hi-Lo	Houston, TX	R
51	Motive Parts Whse./ Green Light Auto	Fort Smith, AK	W

* Note: General Parts participates in the ownership of 110 stores to some extent in partnership with owner/investors.

Source: *Automotive Marketing's* estimates from various sources.

who recently acquired a smaller WD with nine stores. "I don't know if it's a trend or not," Scheer said, "but I know this: The independent warehouses that are on concrete and are progressing are ones that own eight to 80 stores. The big get bigger and the small are going to die. My gut feeling is that the only way to go is controlled distribution. You can give independents 7% to 9% discounts, then all of a sudden somebody gives the jobber 10% and you've lost a customer. So now I'm a retailer," Scheer said.

The need to compete for the retail dollar has also led independent traditional warehouses to set up separate retail operations. As a result, some of the largest and most successful WD store operations are wholly retail such as Hi-Lo and Parts City (31 stores owned by Alexander-Seewald, Atlanta), or primarily retail such as the 82-store O'Reilly/Ozark chain, Springfield, MO; the 87-store Carquest chain owned by Straus-Frank, San Antonio, TX; and the 33-store Taylor Parts chain owned by TPS, Andalusia, AL. It should be noted however, that with the exception of Hi-Lo, all them still maintain a very viable wholesale operation selling to independent jobbers.

JOBBER BUSINESS

Although the percentage of jobber business represented by retail volume has grown at a slower rate in recent years, retailing has still increased four-fold since 1971.

1986	36%
1982	32%
1979	29%
1975	16%
1971	9%

These are the segments that represent the largest portions of jobber sales:

Retail Sales	36%
Independent Repair Shops	18%
Service Stations	15%
Dealerships	9%

Where jobbers buy product by 1986 percentage of dollar volume:

WDs	61%
Direct Buying	28%
Specialty WDs	9%
Other Jobbers	2%

Source: MEMA

Will DIY Sales Decline?

Despite the growth and importance of retail sales to both retailers and WDs, the future of DIY is in doubt in many aftermarket minds. This is the most important question for the retail aftermarket in the next five to ten years. Aftermarket veteran Bud Rose of Champion Auto (Minneapolis), for example, says the DIY market is only pausing to assimilate changes in technology. But you can get many people arguing the other side. For example, all the major programmed group executives expect DIY sales to at least plateau, if not actually decline, and they are making extensive plans to better serve the service side of the market.

A good summation of this opinion goes like this: "The nature of the mass retail market is changing, and will continue to change. The increasing complexity of automotive systems and components will make many DIY procedures beyond the capability of the weekend mechanic. Further, the sophisticated diagnostic equipment and specialty tools required to work on future cars will be beyond the means of the DIYer. And, any expansion of factory warranty provisions will directly erode the DIY market. The mass retail/DIY market is here to stay. But it will be a different and more limited sector of the aftermarket in years to come."

The only trouble with this excellent summation of the situation is that it was written in 1977. Coming before ten years of unprecedented growth in DIY sales by both retail and traditional jobber stores, such a prediction leaves a bit to be desired.

We're not poking fun at inept predictions, the idea is to see the dif-

PROGRAMMED DISTRIBUTORS

The top ten programmed distribution groups are:

- All-Pro Auto Parts, Andalusia, AL
- APA, Mission, KS
- Auto Value, Chattanooga, TN
- Big A, Houston
- Bumper-To-Bumper, New York
- Carquest, Tarrytown, NY
- Federated Auto Parts, Staunton, VA
- NAPA, Atlanta
- National Pronto, Springfield, IL
- Parts Plus, Memphis, TN

AFTERMARKET RETAILERS

The top 25 aftermarket retail chains are:

- ADAP, Avon, MA
- Advance Stores Co., Roanoke, VA
- Aid Auto, Inwood, NY
- AutoZone (formerly Auto Shack), Memphis
- Auto Works, Pontiac, MI
- Champion Auto Stores, New Hope, MN
- Checker/Schuck's/Kragen, Phoenix
- Chief Auto Parts, Dallas
- Crown Auto, Eden Prairie, MN
- Discount Auto Parts Inc., Lakeland, FL
- Grand Auto, Oakland, CA
- Guarantee Auto, Indianapolis, IN
- Hi-Gear Tire & Auto Supply, Capitol Heights, MD
- Hi-Lo Consolidated, Houston
- Nationwise Inc., Columbus, OH
- O'Reilly Automotive (Ozark) Springfield, MO
- Otasco, Tulsa, OK
- Pettigrew-Smith Auto Supply, Houston
- R & S Strauss, Union, NJ
- Steego Auto Parts, West Palm Beach, FL
- Super Shops, San Bernadino, CA
- The Pep Boys, Philadelphia
- Trak Auto, Landover, MD
- Western Auto, Kansas City, MO
- Whitlock Corp., Des Plaines, IL

THE MARKET CHANGES

ficulty of prediction. Nothing is so uncertain in the future of the automotive aftermarket as the patterns of distribution. Any efforts at long range (by that, we mean past next year) prognostication of either players or strategies run the risk of sounding very foolish ten years after. For example, imagine the reaction of an aftermarket veteran in 1968 if you had told him that in 1988 parts for import cars would make up 25% of the aftermarket, the Pep Boys retail chain would be a half-billion dollar operation, and that E.J. Korvette, then the nation's largest discounter, would be out of business.

Furthermore, imagine his reaction if you suggested that WDs would own more than 10% of all jobber stores, that 100,000 service stations would go out of business, and that DIY sales would become almost a third of jobber business?

The veteran would say you're crazy; yet all that happened in the 1970s and 1980s.

Coming Attractions

Although it's hard to be specific, here are some key factors we see affecting the aftermarket in the next five to ten years:

- **Consolidations**
- **Integrations**
- **Lifestyles**
- **Parts proliferation**
- **Specialization**
- **Technology**

However, all these factors will mix and mingle to various degrees in each of the major channels of distribution so that some will be more important for WDs, while some will chiefly affect repair specialists.

Just as he (and she) was in the 1970s, the DIYer will remain the key component of change in the 1990s. For years, many people have said that DIY work will decline. Yet DIY sales remain high. DIYers seem determined to work on their own vehicles no matter what the technological challenges.

So it seem to us that retail sales will probably change the least in the 1990s. But the DIYers who shop those stores in the 1990s will be a little older (by the year 2000 one out of three drivers in the U.S. will be over 55) and a bit more well-heeled than the DIYers of today. The DIYers of the 1990s will also be more "technology sensitized," too, due to the growth of computer education and computer familiarity. But they may not be willing to carry those computer skills over to the world of under-the-hood work, at least not right away.

In fact, the biggest change in DIYers in the 1990s will not be so much in who they are but in the kinds of jobs they do. Those changes will force retailers to re-evaluate the products they sell and how they sell them. A 1986 Delphi forecast released by Dr. David E. Cole, director, Office for the Study of Automotive Transportation, University of Michigan, Ann Arbor, MI, predicts an increase in importance for routine replacement items and fluids in the DIY segment, and for more DIY work with tires, wheels, brakes, and shocks. However, DIY work on traditional ignition systems, non-modular electronics, fuel injection systems, and all engine components will decline.

The Delphi study also gives electronics systems such as computer control modules positive predictions for future DIY activity, and at least one automaker agrees. General Motors sees more hand-held diagnostics systems being used by DIYers (and sold by retailers), prompted in part by a wide distribution of software programs for vehicle repairs. DIYers will also get more help from on-board diagnostic systems. One aftermarket chain already stocks and sells replacement computer chips as a performance product. In the future, retailers will carry more computer goods such as replacement chips while computer software stores will carry aftermarket how-to diagnostic programs.

Retail Competition

New competition for retailers in the 1990s will come through specialization. For instance, in Corona, CA, Captain Zooms, a chain of stores aimed at the light truck aftermarket, opened in 1987. The light truck market is expanding, and operations like this may prove to be serious competition for retailers. In the performance field, operations like California-based Super Shops already have 100 stores. Performance WDs like the trio of G & M,

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Capital Heights, MD, Arrow Speed Warehouse, Kansas City, MO, and Competition Specialties, Auburn, WA, put together the Performance Corner, a short-line performance program for 800 jobbers and retail stores. And, as import parts become more important, the import specialist jobber will continue to take a share of the DIY market. Finally, a number of dealership retail parts for DIYers programs, chiefly at Ford, Toyota, Nissan, and Hyundai, have sprung up in recent years. All of these competitors will have an impact on the retail market for parts, accessories, and chemicals.

There is also the possibility of stronger automotive programs in discount/department stores. Full-line discount and department stores have one clear advantage in attracting customers: they offer a customer the chance to buy everything he needs in one place at one time. This is, and will be, an especially important retailing advantage in the future, as more and more consumers lifestyles leave less and less shopping time available. However, mass merchandisers have had limited success in finding their role in the aftermarket. Their total amount of sales in the automotive field is large, but not as large as for other products they sell. On the average, some 6% of discount stores sales, nationwide, are made in their automotive departments. By way of comparison, that's about half their percentage of sales from women's wear.

But, the chief competition to the retail chains for DIY sales will probably still come from the programmed distributors and the traditional WD that owns stores.

Retail Service In The 1990s

And, just in case DIYers cease to DIY, retailers are also looking harder at the service market. Operations like Pep Boys already get as much as 40% of their sales through service, and chains like Chief and AutoZone are testing service programs.

The reason is simple. Changes in lifestyle favor service operations. Not only is the typical American older, but he wants convenience. High income "DINK" (dual-income, no kids) couples are a key target for service marketers. And, as more females own and maintain their own vehicles, the automotive field is more cognizant of the female customer.

Changing lifestyles favor the repair specialist who applies retail merchandising techniques to service work. Time-pressured consumers will take ten minutes for an economical oil change at a quick lube rather than drop off the vehicle for the day at a service station. Female customers are attracted by the clean shops

SERVICE SPECIALISTS

The top 15 service specialists are:

- AAMCO, Bala Cynwd, PA
- Grease Monkey, Denver, CO
- Jiffy Lube, Baltimore
- MAACO, King of Prussia, PA
- Meineke Discount Muffler, Charlotte, NC
- Midas, Chicago
- Mr. Transmission, Nashville, TN
- Novus, Minneapolis
- Precision Tune Inc., Sterling, VA
- Quaker State Minit Lube, St. Lake City
- Speedy Muffler King, Morristown, NJ
- Sunshine Polishing Systems, San Diego, CA
- Tuff-Kote Dinol, Highland Park, MI
- Tuneup Masters, Buena Park, CA
- Ziebart Corp., Troy, MI

DISCOUNT/DEPARTMENT CHAINS

The top ten discount/department chains are:

- Ames Department Stores, Rocky Hill, CT
- Associated Dry Goods, Norwalk, CT
- Dayton-Hudson, Minneapolis
- Hills Department Stores (SCOA Ind.), Canton, MA
- K mart, Troy, MI
- Montgomery Ward, Chicago
- Sears Roebuck, Chicago
- Stop & Shop, Braintree, MA
- Wal-Mart, Bentonville, AR
- Zayre Corp., Framingham, MA

WAREHOUSE DISTRIBUTORS

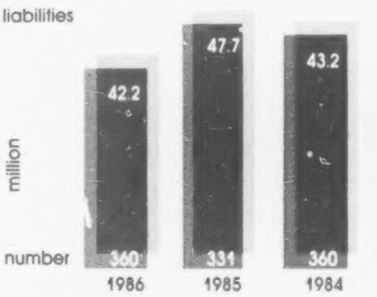
The top ten warehouse distributors are:

- A.I. Automotive, New York
- APS Inc., Houston
- Atlantic & Pacific Automotive, Memphis, TN
- Cardis Corp., Buena Park, CA
- Genuine Parts, Atlanta
- Motive Parts Whse., Fort Smith, AK
- Parts Inc., Memphis, TN
- Republic Automotive Parts, Brentwood, TN
- Steego, West Palm Beach, FL
- Straus Frank Co., San Antonio, TX

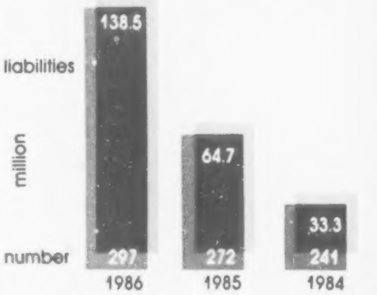
FAILURE RATES

The number of automotive wholesalers failing reached an all-time high in 1986 as 297 firms went out of business owing $138.5 million.

Automotive retailer failure rate:



Automotive wholesaler failure rate:



Source: Dun & Bradstreet

with pleasant waiting rooms.

The "New" Service Market

Just as the auto parts chain store changed the DIY market in the 1970s, the repair specialist is changing the service market in the 1980s, and will continue to have a major impact on the market. A good example is the exhaust business. In 1971, exhaust products were the number one line in traditional WD sales. By 1985, exhaust had slipped to number eight. The main reason was the growth of specialty muffler shops. Muffler specialists now have some 47% of the replacement muffler market compared with about 22% in 1975, according to Goerlichs, Toldeo, OH. Although other, newer specialists such as tune-up and quick lube have much lower shares of their categories, their shares are also growing rapidly.

The success of Jiffy Lube, Baltimore, in building over 500 shops in less than ten years is a good example of the repair specialist. Jiffy has good signage, good locations in predictable neighborhoods, and a well presented story: reliable service, no appointment needed, customer friendly hours, and acceptable pricing.

In addition, the repair specialists apply the lessons of retail advertising to repair service. The three largest TV automotive aftermarket advertisers in 1986 were Midas Mufflers, AAMCO Transmissions, and Meineke Mufflers. Not far behind were MAACO, Precision Tune, and Jiffy Lube.

Repair specialists also benefit from specialization. Because they specialize in limited types of repair, training and SKUs needs are drastically reduced. However, this advantage will be reduced as the specialists branch out into second and third service categories.

SUCCESS FACTORS FOR FULL LINE AUTOMOTIVE RETAILERS

While no one factor can guarantee retail success, certain combinations make some stores more successful than others. These factors will gain in importance as the stores of the future compete harder and harder for customers. Will you be ready?

Factors	Average Sales Per Square Foot
Products Carried	
Heavy parts	
yes	$112
no	85
Engine parts	
yes	116
no	91
Safety/comfort/sound	
yes	120
no	99
Bay service	
With service	128
Without service	110
Location	
Downtown	91
Industrial area	128
Shopping mall	108
Suburban	140
Residential	125
Rural	102
National average	112
Hours Open Per Week (Summer)	
Less than 40	107
40–44	43
45–48	56
49–54	142
55–64	122
65 or more	98

Factors	Average Sales Per Square Foot
Hours Open Per Week (Winter)	
Less than 40	95
40–44	58
45–48	43
49–54	149
55–64	122
65 or more	99
Method of Inventory Management	
Card system	98
Other manual system	109
Computer	156
Card and manual	87
Other manual and computer	78
No system	63
Card and computer	91
Type of Training Offered	
Formal training on selling skills	149
Formal training on mechanical skills	76
Supplier product training	141
Selling and mechanical	95
Selling and supplier	115
Mechanical and supplier	198
None of these	98
Other	100

Source APAA

Although several of the exhaust suppliers already own muffler shops, one completely new supplier entrant to the repair specialist field in 1987 was Modine, which opened four radiator repair shops in auto malls. Whether this is a long-term trend on the part of suppliers or just a one-shot deal remains to be seen.

Repair specialists should do very well in the 1990s, particularly as many of the specialists get into the auto malls springing up around the country. There are about 200 auto malls now, and developers predict as many as 2,000 by 1990. Most malls offer eight to 12 repair services in one location. To the average consumer, the auto mall is a complete automotive facility, offering one-stop service shopping. A customer who comes for a lube/oil change one day, will probably come back to use the muffler shop in the next bay.

Specialists Force Change

The repair specialists are already forcing some long-time discount/department store programs to change the way they do business. Zayre's, for example, which once operated

125 service centers, dropped service in July 1987. Zayre's cited intense competition, personnel problems, and the growth of service specialists as reasons. Zayre's closings followed similar moves by Target Stores, Gold Circle, and J.C. Penney. And, K mart, which continues to offer service in many of its locations, has killed almost 400 unprofitable or marginal centers within recent years.

Indeed, some mass merchandisers have been considering different ways of offering service and have come up with schemes that closely resembles repair specialists. For example, Wal-Mart and Sears are both testing quick lubes. Zayre's converted a number of its old service centers to discount tire centers on an experimental basis. And Montgomery Ward announced in September 1987 that it would open "Auto Express" centers that do tire, battery and other installation work, with a 59-minute service guarantee. Several centers will feature USA Auto Appearance Centers (detailing shops) under the same roof as the Auto Expresses.

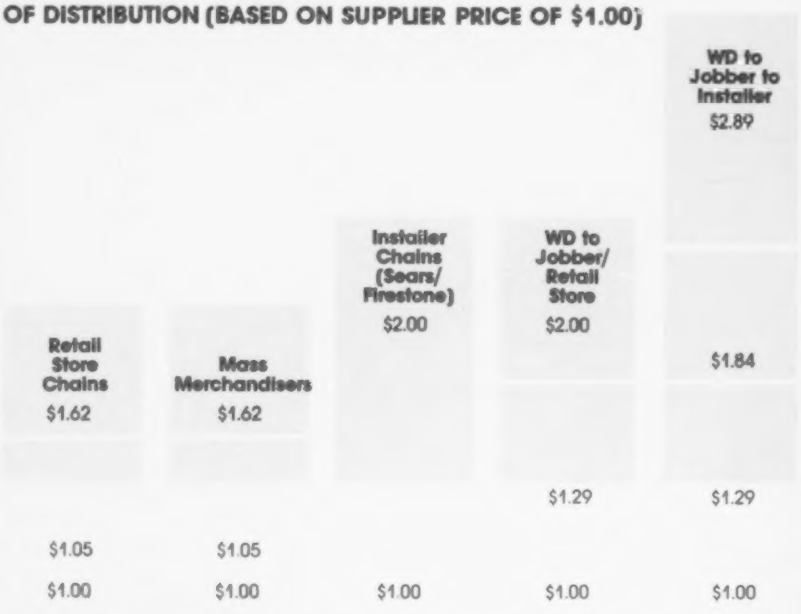
Not only are repair specialists changing the competitive situation, new vehicle dealers are showing renewed service strength. Although there's little direct evidence of this yet, the new extended warranties offered by automakers may give the dealerships all the work they can handle in the 1990s. Import car dealers have always maintained a high market share for service (at least a third, compared to half that for domestic dealers), and domestic dealers are looking to profit from their example. Interestingly enough, auto mall developers see the strong possibility of OEMs or dealer groups setting up repair centers in auto malls. The increasing complexity of new vehicles will work to the dealer's advantage since new repair equipment will become an expensive proposition for service operations.

Add tire store service programs and revived oil company operations such as Sohio's Pro Care and Shell's Car Care to the impact of the repair specialists and the new vehicle dealer on the service market, and you see a strong challenge to the traditional repair shops. The response to the challenge by WDs will mean a change in the way WDs operate.

Changing Operations

As we detailed above, WDs changed the most in the past 20 years, and will probably (note the

COMPARATIVE ANALYSIS OF PRICING BY CHANNELS OF DISTRIBUTION (BASED ON SUPPLIER PRICE OF $1.00)



Parts and Turns (estimated):

Parts	10,000	1,000	5,000	30,000	30,000
Turns	5x	8x	8x	2x	2x

Observations

- Traditional jobber is 22% higher than retail chain on popular DIY products. Explains market share erosion.
- Installer chain has a 42% price advantage over WD/jobber/installer channel on popular service jobs.
- Unpopular jobs are less sensitive to price competition from for installer chains.

Conclusions For Programmed Distribution

- Agressive pricing on fast moving items.
- Move into popular service channel.
- Increase margins wherever possible on unpopular (less price sensitive) products.
- Market share shifts between mass merchandisers and retail stores due to inventory breath and not price.

Source: AI International

qualifying word) continue to change the most in the next 10 years.

The new service competitors and new challenges to their wholesaler customers will mean the bonds between jobber and WD will continue to tighten. Although horizonal consolidations will continue in the traditional market, vertical integration will probably become more important. Parts proliferation and advanced technology will require jobbers to align themselves closer to a WD. Best estimates say part numbers will increase 15% to 20% in units and even more in dollars by the 1990s. And, as a WD told us, "Where are small jobbers going to get the money to put new numbers in? I'm talking 24,000 new numbers in the next few years. The investment is $25,000 in fuel injection alone. I'm talking about jobbers whose take-home profit at the end of the year isn't much more than that... Financial needs alone will make WDs get more involved in controls."

Add to this the cost of training for new technologies and jobbers are faced with serious challenges. WDs simply cannot afford to let their customer base dissipate. So the future traditional market will more closely resemble the retail market where programs are decided at the highest level. As WD Ham Sloan of General Parts, Raleigh, NC, put it, there's "no room for error in today's market."

WDs are dealing with the "new" service market in four ways. First, with an emphasis on reaching the end-user customer, whether the customer is a DIYer or a dealer. Secondly, with "master installer" plans that allow jobbers to discount parts to preferred customers. However, as WDs note, jobbers are weak on paperwork and have problems with the administrative tasks involved, and few jobbers are selective enough in choosing customers. Third, and more desirable, with programs that push programmed distribution one step further to the dealer level. A good example of this is the NAPA Auto Care Program. The benefit to the dealer is a national advertising and warranty program, along with training clinics. For the jobber, such a program locks in wholesale customers. The result is a program unified at WD, jobber, and dealer level.

Finally, many WDs are simply bypassing the jobber and selling direct to large repair customers. We expect to see much more of this in the 1990s. Programmed WDs had many problems convincing jobbers to be effective retailers in the 1980s; they don't want the same problem when dealing with a much more important (to them) wholesale market.

The Future

In addition to the changes in distribution channels we've described, two key changes at the OE level will affect the aftermarket. First, the number of new car makes is changing. Imports accounted for 31% of the market in 1987. This included, for the first time, Korean and Yugoslavian cars along with the Japanese and European standbys. Most OE analysts expect the domestic OE manufacturers to continue losing market share to the import OE manufacturers. Some say 2 million

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fewer cars will be sold annually by the Detroit Big Three in the 1990s.

And, as these cars come into the aftermarket, both retailers and service providers are going to have to make changes in buying and inventory mixes to meet a different demand.

Secondly, because of intense import competition, the domestic manufacturers are aiming for the 100,000 mile car. Whether or not this is a realistic goal, there's no doubt the OE makers want better quality at the OE level. Just one example is the stainless steel exhaust systems already sold on about a third of new cars. Stainless steel, combined with higher exhaust system temperatures due to catalytic converters, can double the life of an exhaust system.

The impact of such technological improvements are something the aftermarket will have to examine very closely in years to come. ■

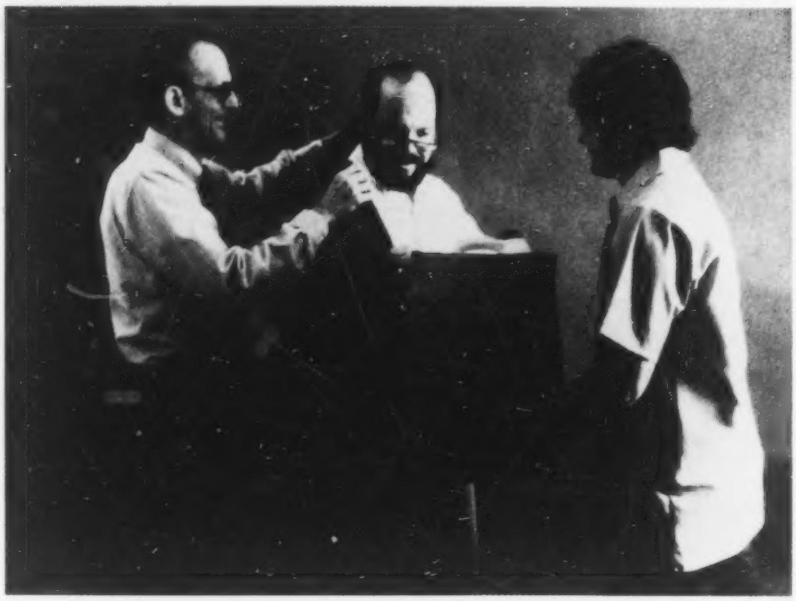
For more information on the merging market, see the following *Automotive Marketing* articles: *The Merging Market*, February, 1987; *WD Retailing*, August, 1987; *AM Special Report: Aftermarket Retailing & Service Changing Into The 1990s*, January, 1988.

This section of *Automotive Marketing's Retail Aftermarket Guide* was put together from information written by **John Wirebach,** Senior News & Feature Editor, **Gail Krueger-Nicholson,** Managing Editor, **Philip Katcher,** Research Editor, **Rosemarie Kitchin,** with contributions from **Edward L. Kaufman,** , Contributing Editor.

THE GROWTH OF THE AFTERMARKET

1920s:	Formation of the aftermarket: • 1. Car dealers served by car makers. • 2. Independent repair shops served by parts manufacturers through a network of jobbers (without WDs). • 3. A volume retail market selling to DIYers. (Western Auto, 1909; R&S/Strauss, 1919; Penn-Jersey, 1920; Pep Boys, 1921.) • 22 million cars on the road by 1929.
1929-45:	Depression and World War II.
1940-50s:	Post-War Boom: • AWDA formed. Establishment of the three-step traditional distribution (WD to jobber to installer) channel. • Forty million cars by 1950.
1950-60s:	America's Golden Age: • Ninety million cars by 1970. • "It's impossible to lose money selling auto parts." • Number of gas stations reaches over 200,000, (359,000 repair outlets in all) buying from a network of 20,000 jobbers. • Service, price, and availability the key factors. • Rise of mass merchandisers. APAA formed. • Supplier dominated distribution. • DIY sales steadily increase. Manufacturers debate selling product to volume market.
1970s:	The decade of change: • 120 million cars by 1980. • Two oil shortages close 75-100,000 gas stations. • Number of repair outlets of all kinds falls to 275,000. • Rise of programmed distribution: the traditional market pursues the DIY market. • Radical design changes in domestic cars. • Imports seize a quarter of new car market. • Parts proliferation a major problem.
1980s:	The fragmented aftermarket: • A severe recession (1980-82) drastically cuts new car sales leading to a smaller repair market in mid-decade. • Average age of cars rises to 7.6 years. • Growth of the franchised repair specialist. • Grocery/drug/hardware stores sell automotive products in large numbers. • Conglomerates buy many volume retail chain stores. • Mergers and acquisitions among WDs. • Growth of WD buying groups. Some 18 programmed groups by mid-decade serving some 15,000-plus jobbers. • Consumer-driven aftermarket. • Retail/wholesale driven distribution. • Performance/Light Truck markets become key sales growth categories. • Age of the 100-store plus Megachain. • Imports make up over 20% of cars on the road.

A LOOK AT TODAY'S CONSUMER



The trends for automotive DIYers that we saw develop in 1987 continue to hold true in 1988, according to *Automotive Marketing's* fifth annual *Consumer Automotive Repair Study (CARS)*.

Then we said more women were maintaining their own vehicles – without professional help. That's still a trend, as we continue tracking DIYers in three year cycles. The 1988 *CARS* study is comparable to our 1985 study, which talked with DIYers who installed the products they bought themselves vs. having a relative or friend do it for them.

In 1985, we found that 27% of all DIYers were women; in 1988 that grew to 34%. But there are indications that while the overall percentage of women who are DIYers grows, the number of women who are increasing how much they actually do on a vehicle is slowing down considerably.

DIYers are making more money now than in 1985. Then, 34% made less than $20,000 a year. In 1988, the percentage making that amount of money dropped to 25%. On the other hand, 16% made more than $40,000 annually in 1985 and 21% in 1988.

There was a noticeable drop in the percentage of DIYers who were responsible for maintaining three or more vehicles. In 1985, 23% said that they had responsibility for three or more vehicles. In 1988, the percentage dropped to 16%.

In other areas, however, the 1985 and 1988 percentages remained relatively equal.

Self-Service Shopping

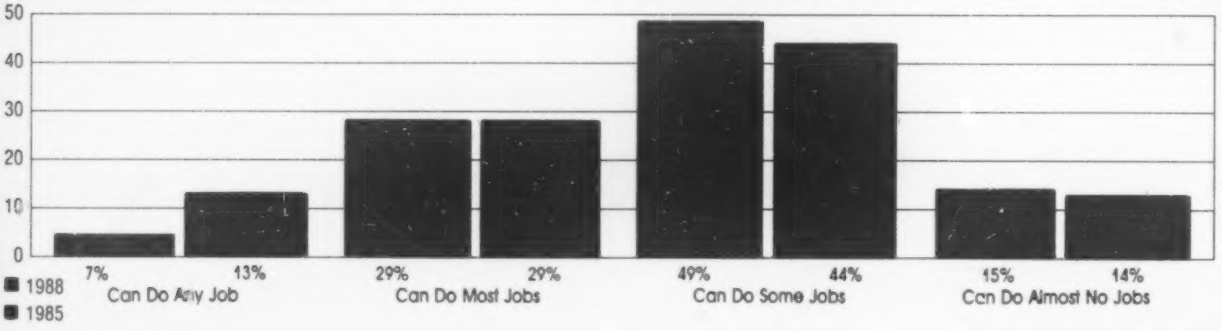
Overall percentages were roughly the same in 1985 and 1988 when comparing DIYers who chose their own merchandise to those who asked for help from clerks. Just slightly over three quarters found what they wanted without help.

There are differences among these two groups, however, which still make an experienced, trained sales force important in reaching some DIYers.

A larger-than-normal percentage of those who need help on the sales floor are women (38% asked for help), young (25% of those asking for help were under 25-years-old), and making less money than aver-

DIY SELF IMAGE

We asked DIYers in 1988 and 1985 what sort of automotive jobs they thought they could do. There has been a significant drop in the number of those who thought they could do just about anything, while more think they can do only some job.



age (27% of those who asked for help make under $25,000 annually). Those asking for help don't spend a great deal of time working on their vehicles—28% spent less than an hour a month on vehicle maintenance. And, 51% of those who asked for help spent less than five hours a month on automotive DIY work. They are responsible for maintaining fewer vehicles: 30% of those asking for help also maintain only one vehicle.

This isn't a group that spends a great deal of money in the aftermarket. But, it is a group that offers a great deal of potential in terms of future sales.

Those with the self-confidence needed to simply walk in, pick up what they think they need, and walk out are male (84% of males said they needed no help), older (80% of those not needing help are over 55-years-old), better off (79% of this group make over $40,000 annually), and highly active in DIY (83% of those rejecting help spend 11 or more hours a month on vehicle maintenance). They maintain more vehicles: 81% of those not seeking help work on three or more.

What Jobs They Can Do

Almost half (49%) of DIYers said they could only do "some" automotive maintenance jobs. The rest said they could do "any," "most," or "almost no" automotive maintenance jobs in roughly the same percentages in both 1985 and 1988. There was a slight drop in those who could do "any" type of automotive job from 13% in 1985 to 7% in 1988. Otherwise the percentages were the same at 29% for "most," and 14% for "almost no."

The most confident DIYers aren't always the best auto parts store customers, however. Where only 4% of those who spent less than an hour monthly on vehicle maintenance work said they could do any type of job in 1985, by 1988 this figure had grown to 9%, not good news for their retail parts sources. Those making under $20,000 annually who could do any type of job—a key group of individuals who are forced to maintain older vehicles—had dropped from 12% in 1985 to 8% in 1988.

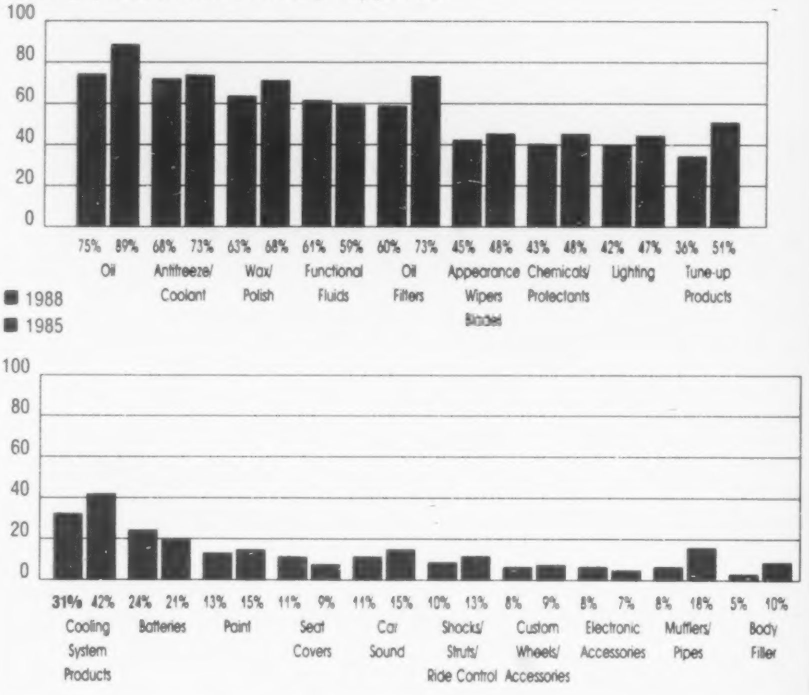
The groups in which there are significantly above average numbers of DIYers who have little confidence in their abilities, who say they can do almost nothing on a car themselves, are women (31%), middle-aged (21% saying they can't do much were between 45 and 55-years-old), and lower income (20% of those making less than $20,000 annually said they fell into this category). They don't do much of this kind of work anyway; 31% of those spending less than an hour a month on their vehicles said this.

Doing More Or Less?

People have been talking about the increasing number of women getting into automotive DIY. Well, the blush is off the rose. In 1985, 60% of all women said they had increased the amount of vehicle maintenance they'd done over the previous year. In 1988, that percentage dropped a significant 13% to only 47%. This is higher than the percentage of all DIYers who said they'd increased the DIY work they'd done in the previous year, 38%, but it shows the trend towards women doing ever-increasing amounts of work is slowing down.

PRODUCTS DIYERS INSTALLED THEMSELVES

We asked DIYers what products they actually installed themselves in 1988 and 1985. Most changes were only slight over the years, but the longawaited drop in tune-up products has obviously happened.



A LOOK AT TODAY'S CONSUMER

Is there any growing group, then? Interestingly, the only growing group of DIYers who say they're increasing their DIY work, by age, are those under 25-years-old. In 1985, 31% of those increasing their work were in this age group; in 1988, 40% were. All other groups were roughly the same in 1985 and 1988.

But, the news about the younger DIYers increasing work is encouraging. After all, it's young customers who make up most markets' potential growth.

Technology's Results

In 1988 we can see how new vehicle technology is actually affecting the aftermarket. In 1985, 15% of all DIYers said they'd done less DIY work over the previous year because their cars were too technologically complicated; this number had grown to 20% in 1988. It was the only significant swing in answers between the two studies.

Technology has forced more men out of DIY (22% of male DIYers cited this reason in 1988 compared to 16% in 1985), forced more prime DIY aged individuals out (68% of those those citing this reason were between 25 and 44 in 1988 against 42% between those ages in 1985), and forced more DIYers making over $40,000 annually (52% of those who gave this reason in 1988 versus 21% in 1985) out of DIY.

Technology isn't slowing down everybody, however. In 1985, 21% of those who had increased DIY work over the previous year said it was because they'd gained confidence in their own repair skills. This percentage jumped to 28% in 1988.

In all, 32% of all male DIYers gave this as their prime reason for increased DIY work in 1988, a significant jump from the 22% who gave that reason in 1985. Younger DIYers, too, felt they could do more. Only 20% those under 25-years-old who increased the DIY work they'd done in the previous year cited this reason in 1985. But, in 1988, it was 34% of that age group who gave this as the reason they'd increased their DIY work. And, only 9% of those who made more than $40,000 annually in 1985 gave this reason for increasing DIY work. But, an astounding 32% in this income group gave this reason in 1988.

Extended Service Contracts

This year, we asked DIYers if their cars were covered by extended service contracts. Generally, the industry figures that about 40% of cars today are sold with some sort of extended service contract. However, only 25% of DIYers have any agreements of this nature. In part, this may be so because DIYers may own older vehicles, but in part it may also be so because those who trust their own maintenance skills may feel that such an expensive, extra agreement is unnecessary.

Overall, some aspects of aftermarket sales have been affected by these agreements, at least among the quarter of DIYers out there who did pay for one. Of this group, over half (58%) said they're returning more to the dealer for service covered by the agreement as a result. Only 14% of this group said that they haven't been using some form of professional service more as a result.

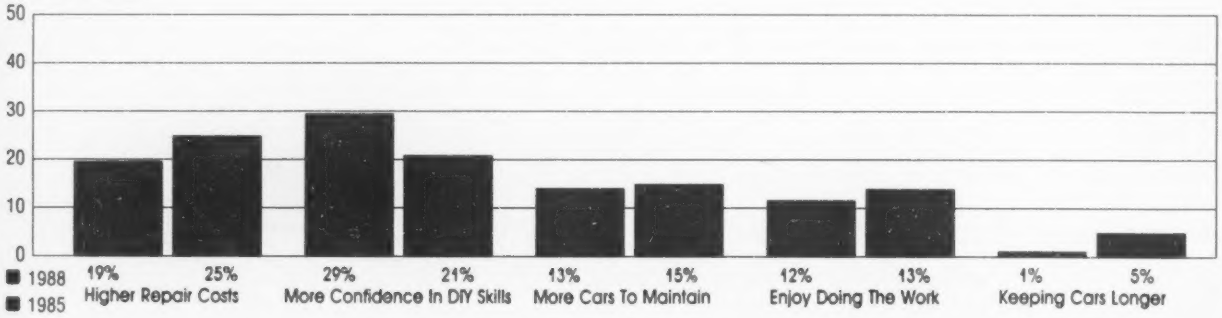
However, the basic maintenance jobs that are the bread-and-butter to most auto parts stores—oil changes, radiator flushes, and accessory additions—have not been affected by these agreements. In all, 91% of those who bought an extended service agreement with their new vehicles said they hadn't changed how they maintain their cars.

Other Comparisons

This is the second time we have compared two of our *CARS* studies.

WHY DIY INVOLVEMENT HAS INCREASED

Why did those who are doing more DIY work now than before choose to do this sort of work? We compared the answers we got to this question in 1988 and 1985 andfound that the largest change was in the number of DIYers who are confident of their DIY skills.



A LOOK AT TODAY'S CONSUMER

STUDY METHODOLOGY

This year marks the fifth consecutive year *Automotive Marketing* has produced its benchmark *Consumer Automotive Repair Study (CARS)*. This year also marks the second year of tracking the results in three year cycles.

Last year, and in 1984, our study sought to get and compare basic demographics on certain product categories. This year, and in 1985, we took our study a step further. We first wanted to find out about purchase patterns—why the respondents shopped a particular outlet for a particular product; why they chose a particular brand; whether and how they were influenced by advertising; and so forth. We also wanted to be able to project the study results across the entire U. S. population.

One thing that has not changed over the years is the way in which we gather this information—by phone from a carefully qualified respondent base. As in 1985, this year's study focused on the retailers' target market—people primarily responsible for the maintenance of at least one vehicle who do some sort of automotive DIY, be it as major a job as rebuilding an engine or as minor as washing and waxing a car.

Chilton Research Co., one of the country's leading market research firms, made the actual telephone interviews and tabulated the results.

If the person reached on the phone did not qualify both as a vehicle maintainer and an automotive DIYer, the interview was terminated. And, in order for a qualified respondent to answer any of the questions about the individual products, he or she had to have *both bought and installed* the product within the preceding 12 months.

The answers that the interviewers got were "top-of-mind" answers. Many questions were open-ended, meaning that interviewers did not provide a list of possible answers for a respondent to select from. Instead, the interviewers took down the respondent's first response. Market research professionals feel that lists of suggested answers tend to prejudice the responses.

In much the same way, the interviewers did not "probe." That is, they did not ask, "Is there anything else?" after they received an answer. The result of this is that the answers reflect the respondents' automatic and first choice answers. This means that, for example, respondents answered that things such as price and quality influenced their choice of the type of brand to buy, rather than packaging. In truth, packaging and other aspects of the product obviously do influence purchases, but they are not first in DIYers' minds.

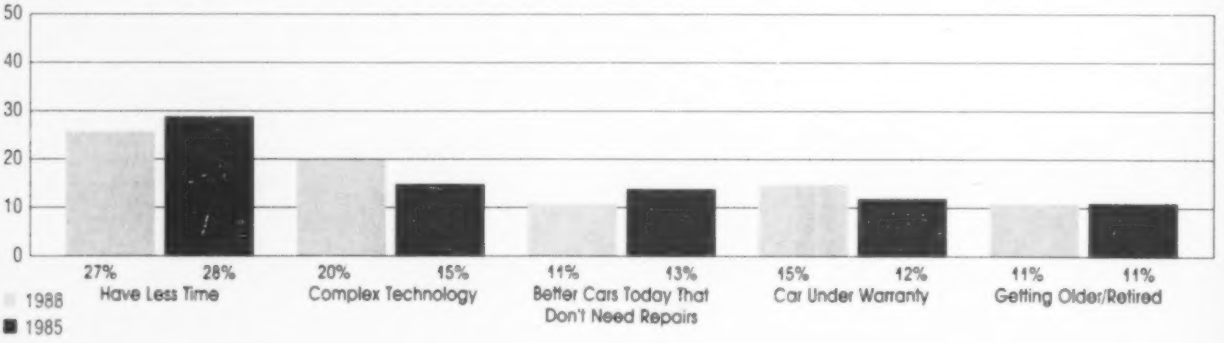
This study, as our 1985 study, concentrated on the reasons why the DIYer bought a product where he or she did. Those reasons really haven't changed over a three-year period. Now, as then, on the average, the DIYer looks for a friendly store that's easy to get to and has the image of having low prices. Once in the doors, he or she looks for the products they need that will have the quality they want.

It's as simple as that: Put stores in convenient locations, build an image of low pricing, and stock the stores with quality merchandise. Then sit back and listen to the cash registers ring. But, of course, that was as true 300 years ago as it is today. And, that's what our studies show. ■

This section of *Automotive Marketing's Retail Aftermarket Guide* was put together from information written by **Philip Katcher,** Research Editor.

WHY DIY INVOLVEMENT HAS DECREASED

We asked DIYers in 1988 and 1985 why they have cut back on the the amount of work they do on their vehicles. The largest change was brought about by the new, more complex technology.



DESIGNING YOUR STORE FOR PROFIT

How do you describe a beautiful store? More than one retailer would say, "Any store that makes money is beautiful to me."

That crafty response does not dodge the issue of store design. In fact, it focuses dead center on the crux of the issue. Good store design rests on the premise that stores are vehicles to get retailers where they want to go. The store design can put that vehicle in the best possible shape for the trip.

The point is this: a well-designed store makes more money. A store that isn't well-designed will fall by the wayside in today's competitive aftermarket.

Get Their Attention

How your store looks and its image are what gets customers' attention in the first place. Today's aftermarket retailers must make a dynamic first impression and follow that up with continuing impressions of a clean, uncluttered, exciting, easy place to shop.

You can win the struggle with good store design and strong product merchandising. For instance, even a minor "re-design" like slapping on a fresh coat of paint and doing some basic clean-up work will increase business by 5%-10% over the short term, according to one store design expert.

The average consumer will purchase 15-20% more in a store that he perceives as well-merchandised and exciting to be in, according to studies done by the Point-Of-Purchase Advertising Institute. POPAI studies also indicate that 66.1% of all purchases are a result of an in-store decision between one product and another, and that unplanned or impulse purchases account for more than half of all purchases (52.6%).

So how do you harness the profit-power of store design for yourself? How do you build a positive image for your store? Begin by developing a store design that grows out of your marketing plan and how it relates to your customers. Critically analyze how your store looks by focusing on four key design points: store layout, lighting, signage, and fixtures. At each step of the way, there are professionals who can help you. But you can do-it-yourself, too.

First, A Marketing Plan

Store design means more than just pushing your gondolas around, though that is just what most retailers do when they "re-design" their stores. Store design means having a marketing plan and implementing that plan via store design.

Your store is the tangible means of expressing your overall marketing strategy. As such, the design of your store must be developed in the context of your marketing plan. Implicit in the marketing plan is a clear and concise definition of who your target customers are (or who you want them to be); what their specific needs, wants, and purchasing powers are; and how your store can best respond to them.

Central to the marketing strategy is a "consumer response statement." This is the response you want to elicit consistently from consumers when they are exposed to your store's name. For example, "good value and helpful service," or "never out of stock." The desired consumer response becomes the driving force in the marketing, and in the store design.

For example, are your customers heavy DIYers looking for a complete selection of hard parts? If so, open up the areas behind your parts counter so the customers can *see* the depth you have in hard parts. Put up no nonsense, industrial shelving. Expose all the nuts and bolts, from the light fixtures to the heat ducts.

Are your customers car-proud performance freaks? If so, round off all the corners and finish all the edges. Cover exposed surfaces with high gloss, shiny materials. Give your store a slick, sporty feel.

Do all of this and you have created a store that *looks* like your customers. You have created a positive, comfortable shopping environment that fits your customers' image of what "their" aftermarket store should look like. In other words, the design of your store should appeal to your target core customer base. If it does, those people will visit your store frequently. And they will buy more. If the design does not clearly articulate the consumer response statement, then a crucial link in your marketing communications strategy has been broken.

Do you want to capture a different customer base? Then reposition your store by changing how it looks. Just make sure to project a sharp, clear image. A little bit of everything adds up to nothing.

Assessing Your Current Strategy

The first step in developing a comprehensive marketing plan for store design is to assess your current strategy. With that strategy articulated, you can measure current marketing plans and programs against that strategy statement to see where they mesh, where they skirt one another, and where they clash. The objective is to analyze the way you address the consumer response statement, the retail mix and the marketing mix. Let's look at each:

STORE DESIGN

We asked our Retail Panel: "How many years ago did you last update or change the look of any part of your store?"

Less Than One Year Ago	45%
1-2 Years Ago	20
3-5 Years Ago	17
6-7 Years Ago	5
8-10 Years Ago	6
10 Or More Years Ago	8

Source: 1987 *Automotive Marketing* Retail Panel
Numbers may not equal 100% due to rounding and multiple answers.

STORE DESIGN: PARTS COUNTERS

We asked our Retail Panel: "When you last changed the look of your store, did you do any of the following to your parts counters?"

Install a new parts counter?	47%
Move the counter to the back of your store?	21
Move the counter to the front of your store?	3
Move the counter to the side of your store?	10

Source: 1987 *Automotive Marketing* Retail Panel
Numbers may not equal 100% due to rounding and multiple answers.

- **Consumer Response Statement.**

This is the first element of the existing marketing strategy to be assessed. What is the statement? How does it reflect your marketing strategy? How effectively is it being implemented?

- **Retail Mix.**

The retail mix consists of product selection, value, and service. Measure your retail mix against the consumer response you desire and your marketing strategy. Examine the variables of selection, value, and service.

Selection is defined as the breadth and depth of merchandise offerings, as well as the scope of the merchandise categories.

Value is the relationship among price, quality, fashionableness, timeliness, and trendiness.

Service is all of those variables other than value and selection which motivate a consumer to buy merchandise. Included are elements such as location, operating hours, ease of access, image, layout, visual merchandising, merchandise mix, inventory service level, housekeeping, check-out, returns policy, lay away, customer-recognition programs, and selling floor coverage.

To make your assessment even more useful, however, look objectively at how the market perceives your store. Such marketplace perceptions can be obtained through market research programs such as focus groups, through in-depth interviews with customers, suppliers, landlords; through surveys and reviewing media coverage.

How Does Your Store Look?

Get out from behind your parts counter and your cash register and take a hard, cold look at your store. Look at it from the customers' point of view. Ask yourself, "Would I shop here if it were somebody else's store?" Ask your wife if she'd be comfortable shopping in your store. And, ask your customers how you could improve your store, how you could make it more comfortable for them to shop in.

When you're done asking those questions, go to other aftermarket stores and ask the same questions. And when you're done there, go to

STORE DESIGN: CASH REGISTER/ CHECK OUT STAND

We asked our Retail Panel: "When you last changed to look of your store, did you do any of the following to your cash register/ check out stand?"

Install a new cash register/check out stand?	28%
Move the cash register check out stand to the back of your store?	9
Move the cash register/check out stand to the front of your store?	12
Move the cash register/check out stand to the side of your store?	8

Source: 1987 *Automotive Marketing* Retail Panel
Numbers may not equal 100% due to rounding and multiple answers.

other types of stores (clothing stores and grocery stores are the best at design and merchandising, according to the experts) and ask the same questions.

You may not like the answers you get, or how your store stacks up against the others, but you can do something about it. Begin by focusing on your store's zones.

Store Zones

Each space in and around your store serves a purpose. Likewise, each space sends a message to the consumer. Therefore, a good design facilitates the retailer's needs *and* communicates the proper message to the consumer.

- **The exterior perimeter zone, or the outside of the store:**

What message does the outside of your store send to consumers as they step from their cars? Does your store have windows that consumers

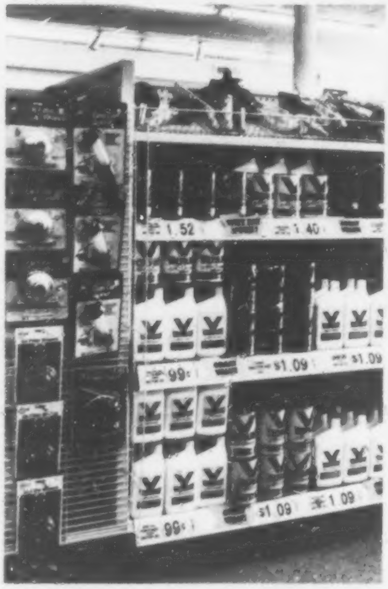
GREEN LIGHT GOES RETAIL: A CASE STUDY FOR STORE RE-DESIGN AND RE-MERCHANDISING

Three years ago, the executives of Green Light Auto, wholesale distributors from Ft. Smith, AK, (part of Mid-America Industries) made a decision. Green Light decided that the 475 jobber stores they sell merchandise to needed repositioning to successfully compete against retail automotive chains and discounters for a bigger piece of the aftermarket pie.

They decided the jobber stores had to be brighter and cleaner. They had to have modern traffic patterns. They had to carry lines of "out front" retail-oriented products like air and oil filters, oil, and accessories in addition to their standard lines of hard parts. Those "out front"products had to be well merchandised and competitively priced. And advertised. In short, the Green Light jobber stores needed to be redesigned.

To that end, Green Light developed an aggressive turnkey retail program, the heart of which includes store re-design and re-merchandising, for its jobber stores in the Midwest and Southeast. All the stores now serviced by Green Light will be converted in five years, according to the marketing manager of retail programs, Charles Bockelman. And new stores will have the Kelly green and yellow Green Light retail look, too, Bockelman, who came to Green Light from Western Auto, said.

The results of the program are impressive. "We've found that jobbers who have converted to our retail look have seen an average 23.5% increase in sales," Bockelman said. A 14% to 15% increase in business is the break-even point for the converted jobbers. Most of the jobbers who convert recoup their initial $40,000 (average) investment in six to nine months, he added.



Converting to the retail program is a turnkey operation. When a jobber decides to convert, he contacts his regional Green Light representative. Together, with help from the marketing staff in Ft. Smith, they develop a profile of the jobber's market area, a profile of the customers he has and the customers he wants to reach, and a profile of his competition. In all probability, it will be the first time the jobber has ever looked at his business like this. From there, the jobber and the regional Green Light representative develop a plan to help the jobber implement the retail program.

Bockelman uses a step-by-step formula to convert jobber stores to out front retailers. "We begin by giving a jobber store a complete new retail look inside and out. It's attractive to consumers. The program has exterior and interior design that includes color and decor, graphics, and signage. A bold use of green and yellow stripe accents is Green Light's trademark," Bockelman said. The redecorating costs an average Green Light store about $3,000.

"The new look alone is a big plus for increased sales," Bockelman added.

After getting the customer into the store, the next step is to get him through the entire store. This is done with store layout. Green Light Auto creates traffic flow by placing the "milk and bread" staple items, like oil and air filters, in the rear left hand corner of the store.

"Studies show that consumers naturally turn to the right when entering a store. By placing the staples in the far left hand corner, we force the customer to walk through the entire store. While walking through the entire store, we hope can look through to see merchandise? What is the color of the exterior walls? Are there any signs visible? What is their intended and actual message? The key question related to these and all elements of the exterior perimeter is: "How does it reflect my marketing strategy?"

• The store front zone:

This area has particularly strong impact on consumers. Does it extend an invitation welcoming shoppers? Doors, windows, and passageways have a subtle way of communicating signals to consumers. Good design can make those signals be what you want them to be.

• The selling floor zones:

Selling floor footage is seen as many zones. First, it is looked at as a whole, perceived with a fore-

he will come across products he needs but had no prior plans of purchasing," Bockelman said.

Green Light's retail program offers jobbers 3,000 SKUs across 118

Auto Saver Center

lines of retail-oriented "out front" products in addition to the hard parts they already carry. The average Green Light store has 1,500 sq. ft. of store space that can accommodate about $23,000 worth of product in front of the parts counter. Green Light provides jobbers with planograms for the products. There is usually $17,000 worth of inventory in the back room.

Green Light encourages its jobbers to use cross merchandising techniques to create impulse sales. Some examples include displaying wiper blades next to windshield washer solution, chamois next to wax, funnels next to oil. "The beauty of impulse sales is that these products typically generate a very high profit margin. The profit margin on a funnel can easily be 50%," Bockelman said. The technique of cross merchandising is not new, but most jobbers need to be reminded of how effective it is from time to time, Bockelman said.

The amount of product merchandised on a gondola is another important factor for increased sales. To prevent shoplifting, most Green Light gondolas have a 4' height limit so employees at the parts counter and cash register can clearly view customers.

But, "You obviously need to merchandise as much product as possible on a gondola without making it look cluttered and unattractive," Bockelman said. So, in addition to traditional gondolas and in addition to hanging products with standard pegboard display hooks, Green Light uses cross-bars and hooks and end cap extensions to create more display space. Green Light uses a universal bracket on its gondolas to attach the cross-bars. They create as much as 28% more display space per gondola. New fixtures cost the average Green Light store about $7,500.

"Converting a store to the retail format is a very detailed operation," Bockelman said. "Merchandise is tagged as to product, stock number, stocking quantity, etc. We can supply professional stocking crews to the jobbers for the conversion. Stores that attempt the conversion on their own often wish later they hadn't," he said.

Green Light's retail-oriented products are priced at three different levels to produce between 32.5% and 38% gross profit for the jobber. "It's hard for a jobber to ignore that kind of profit margin," Bockelman said.

Which price level the jobbers use on specific products depends on how the competition is pricing similar products. "If our guy has a major discounter right down the street, we'll suggest he price at the 'A' level. At that level he is within 5 to 7% of the discounter's retail price on a product like a Fram filter. We'll try to keep him on the same price level as an AutoZone or a Pep Boys with the same product," Bockelman said. If competition isn't that stiff, the jobber can use the "B" or "C" price scale and make a slightly higher gross profit.

The final phase of the Green Light turnkey conversion is advertising support. Typically, jobbers do not advertise or do not advertise to the greatest effect, Bockelman said. To help the jobber do a good job promoting his new retail look, an eight-page four-color newspaper insert is provided to the jobber from Green Light's in-house advertising department in Ft. Smith. As part of the conversion, the jobber and the regional Green Light representative choose between a nine times or 12 times a year advertising program.

By borrowing store designs, merchandising techniques, and product philosophy ideas used by other retailers, the Green Light jobbers have been able to increase their bottom line profits. The Green Light jobber conversion program is a success.

ground, a middle ground, and a background. How does one part harmonize with another? Considering the consumers' lines of sight from the entrance and other parts of the selling floor, does the company's marketing strategy unfold in the three ranges of the picture?

- **The wall zone:**

This includes the ceiling and the overhead space. What colors, merchandise, and decoration do consumers see on the walls? What mobiles and signs hang overhead? Are the tiles and lighting in the ceiling complementary to the overall design of the store and to its merchandise?

- **The service counter zones:**

Where are the service counters? If service is a foundation block of your marketing strategy, shouldn't service counters be easily accessible? And do they also serve to promote merchandise? Does that merchandise on the counters look attractive or not?

Here's another service counter issue. Should consumers see the service person tracking down hard parts, or should that zone be completely hidden? What message does each attitude suggest, and which is more appropriate for the company strategy? These kinds of issues are all part of store design considerations.

- **The aisle zone:**

Is a racetrack format more in line with your marketing strategy than a zig-zag? Similarly, the gondolas and end caps are important. They must display merchandise yet provide consumers with enough personal shopping space to feel comfortable.

Most store space zones are vehicles for presenting merchandise. The customer should not be aware of the fixtures other than as part of a visual presentation which makes products exciting and interesting.

Each zone must be challenged with the question: "How does it contribute to our store's consumer response statement?"

DESIGN PERFORMANCE CRITERIA

Each store is designed to deliver specific performance criteria. An example of one retailer's design/performance criteria follows. Note how these criteria emphasize marketing and merchandising, as well as service—all points treated in a marketing strategy.

- Create a more interesting environment, one that is: more expressive, more personal, more appealing, and more varied.
- Make shopping easier by making it: more understandable, more accessible, better, brighter, and clearer.
- Optimize volume with: a balance of high and low velocity items, the impression of breadth and depth, emphasis on a faster pace, and the promotion of urgency.
- Create self-service flexibility with: visual merchandising/display, graphics/directional signage, quick orientation of shoppers to brands, categories, and products, employee-customer interaction, support services, and customer assistance to change ignorance to knowledge.
- Expand presence of hard parts with: a clarification and enhancement of the section, a balance of volume setting with one-of-a-kind setting, the enhancement of each product's or category's character, and the telling of a merchandise story.
- Improve efficiency and productivity through: merchandise processing systems, merchandise presentation systems, and administrative work-flow.
- Expand idea of service with: a focus for customer attention, the consolidation, amplification, and strengthening of pertinent areas.
- Attract younger, middle-income customers through: presentation, selection, graphics, and a spirited, genuine, contemporary environment that adapts to changing needs.

If the link is not clear and precise, the design must be adjusted for greater overall harmony and reflection of the company mission.

Now, consider the three main points of store design: layout, signage, and fixtures.

Store Layout

A well planned store layout, or customer circulation pattern, may be the single most important factor in improving your store's sales. It takes good customer movement, or traffic flow, to expose *all* your customers to *all* your merchandise. Most store designers prefer the loop or racetrack layout. With an effective loop, the store is easy to categorize. Strong merchandising statements are easy to make.

Ask yourself the following questions about your store layout:

- **Can your customers see all the merchandise you offer?**
- **Can two customers comfortably push shopping carts down one of your aisles in opposite directions at the same time?**

If you answer "no" to these questions, it's time to push those gondolas around. But remember, with all the merchandise exposed to your customers, you may have to reshape some of your thinking: There are no corners that can be forgotten, and buying mistakes can not be hidden.

Signage

Signs can be categorized as image (large graphics of race cars and products), directional (over the parts counter, over the cash register), informational (menu of available services) or identification (aisle markers, product signs) and point-of-purchase (display signs provided by manufacturers or produced by the store). Each category of sign should blend with the total theme of your store and each should be used with discretion. Signs should not distract from your merchandise, but should be an aide to sales.

Ask yourself the following questions about your store signage:

- **Do your signs identify all the merchandise you have to offer?**
- **When customers walk in the front door, can they tell what sort of store you are (a store heavy on hard parts, a store heavy on performance parts) by your signs?**
- **Can customers quickly find the aisle where you keep wax and polish (or any other product category) by looking at your signs?**
- **Do other signs direct customers to other items of interest like sale merchandise and special buys?**
- **Do you keep point-of-purchase (POP) signs up to date?**

If you answer "no" to any of these questions, or if there are signs in your store that do not perform those functions, throw those signs away and start over.

Fixtures

Fixtures are to your merchandise what scenery is to actors in a play. Fixtures and scenery do not, and should not, dominate the action. They should instead set the stage for a successful production or, in the case of your store, a profitable transaction.

The universal problem in retailing today is how to use space profitably. Fixtures can play an important role in the overall design and organization of a store for profit.

Ask yourself the following questions about your fixtures:

- **Do your fixtures organize space and merchandise?**
- **Do your fixtures present excitement through variety?**
- **Do your customers see fixtures rather than merchandise?**

If well planned, fixtures should provide a layered effect. This effect unfolds the merchandise to your customers as they walk through your store. It is accomplished through variety: variety of gondola or fixture height, variety of fixture type, and variety of techniques. This prevents a store from looking boring and identifies merchandise categories for easier shopping.

STORE DESIGN: GONDOLAS & ENDCAPS

We asked our Retail Panel: "When you last changed to look of your store, did you do any of the following to your gondolas and/or endcaps?"

Install new gondolas?	66%
Raise the height of your gondolas?	17
Lower the height of your gondolas?	16
Move or re-arrange your gondolas?	58
Install new endcap fixtures?	47
Move or re-arrange endcap fixtures	28

Source: 1987 *Automotive Marketing* Retail Panel
Numbers may not equal 100% due to rounding and multiple answers.

STORE DESIGN: MERCHANDISING & DISPLAY

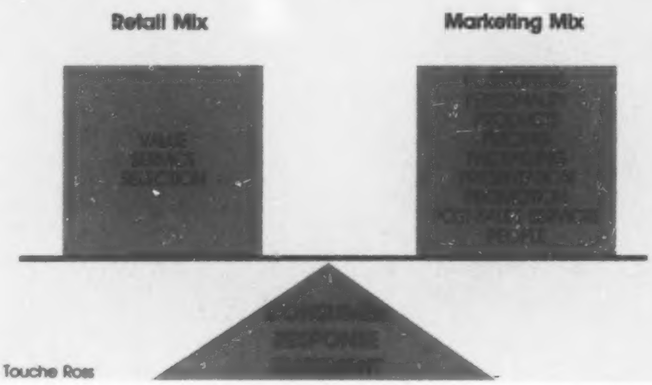
We asked our Retail Panel: "When you last changed to look of your store, did you do any of the following to your wall displays, light, and/or indoor signs?"

Install new (or update) wall displays for merchandise?	59%
Install new (or update) your lighting fixtures?	27
Install new (or revise) your in-store signs?	28
Change or establish your in-store color scheme?	92

Source: 1987 *Automotive Marketing* Retail Panel
Numbers may not equal 100% due to rounding and multiple answers.

SUCCESSFUL RETAILERS PREFORM A BALANCING ACT

Merchandising and marketing strategies must balance and be supported by the consumer response statement. That is the statement that describes the response to his store that the retailer wants to consistently get from his customers.



Source: Touche Ross

FIRST THINGS FIRST

Realizing that not every retailer wants to, or can, tackle a whole store re-design at once, *Automotive Marketing* asked some experts what's the one thing an aftermarket retailer should do right off the bat to improve his profit picture. Their answers may surprise you.

- "If the interior is older, put on a fresh coat of paint. If it's not too old, take a close look at the lighting," Peter Carpenter of Miller/Zell Design Center, Atlanta, said.
- "Examine what your competition is doing. You may not need a major re-design, just some updating. Use the Yellow Pages and get all the free information you can from store display firms," Paul Swanson of Clairson Commercial Display, Ocala, FL, said
- "Buy some light bulbs and a can of paint. Most stores are underlighted and dingy. Just making the place brighter will help," Les Masover of Retail Store Planning Center, Lincolnwood, IL, said.
- "Clean it up. Good maintenance shows that you care. This carries through everything you do," Murry Gelberg of Gelberg & Co., New York, said.

The experts also agreed that unless you have the budget to do everything all at once, it is fine to do a little bit of your store at a time. Just have a master plan on paper first, so the end results all point in the same direction.

STORE DESIGN: HOW WILL YOUR STORE LOOK?

We asked our Retail Panel: "Do you plan to update or change the look of any part of your store in the future?"

Yes	78%
No	22

Source: 1987 *Automotive Marketing* Retail Panel

Merchandising

Nothing, absolutely nothing, beats a well merchandised store for creating shopping excitement and bringing in those customer dollars.

Remember that POPAI studies indicate that the average consumer will spend 15-20% more in a store that he perceives as well-merchandised. A well merchandised store is a store with a focused presentation. That means that every element of merchandise presentation from easy to read merchandise price tags, to merchandise location, to merchandise display is geared to making buying the products easy.

And the same POPAI studies also indicate that 52.6% of all items are bought totally on impulse. Those impulse sales may be unplanned by your customers, but you must merchandise your store in such a way that you can grab those discretionary dollars.

Cross merchandising—putting related high profit margin items with other products (like funnels with oil, chamois with waxes, and flush kits with antifreeze/coolant) is a proven way to generate impulse sales in aftermarket retailing. But there are other merchandise techniques that can help boost those sales in your store to consider also. For instance:

- **Have you taken advantage of manufacturers' package designs by letting the packages do a selling job for you? Manufacturers spend bundles to make their packages "silent salesmen," take advantage of that and show the packaging off to good effect.**
- **Have you presented the merchandise horizontally or vertically? Vertically color blocked merchandise takes less time for a cus-**

STORE DESIGN: HOW SOON?

We asked the Retail Panel members who did plan to update or change to look of their store: "How soon do you plan to update or change the look of any part of your store?"

In Less Than One Years	51%
In 1-2 Years	24
In 6-7 Years	3
In 8-10 Years	3
In 10 Or More Years	3

Source: 1987 *Automotive Marketing* Retail Panel
Numbers may not equal 100% due to rounding and multiple answers

STORE DESIGN: CUSTOMER AMENITIES

We asked our Retail Panel: "When you last changed to look of your store, did you add any of the following customer amenities?

Music anywhere in your store?	31%
Make ashtrays available in your store?	29
Carpet in a special display area?	7
Carpet in a waiting area?	3
Chairs in a special display area?	5
Chairs in a waiting area?	6

Source: 1987 *Automotive Marketing* Retail Panel
Numbers may not equal 100% due to rounding and multiple answers.

STORE DESIGN: INSIDE MAINTENANCE

We asked our Retail Panel: "When you last changed to look of your store did you do any of the following inside maintenance jobs?"

Paint or otherwise change the walls?	55%
Paint or otherwise change the ceiling?	19
Paint or otherwise change the floor?	26

Source: 1987 *Automotive Marketing* Retail Panel
Numbers may not equal 100% due to rounding and multiple answers.

tomer to scan than a horizontal ribbon of color arrangement.

- **Have you placed high ticket "want items" within the customers' direct line of sight, or do they have to bend down to see small items?**

Today there are some technological breakthroughs that make merchandising more exciting and entertaining. Some of these include:

- **Giant three dimensional graphics for your windows.**
- **Sound systems for mood music and promotional messages.**
- **Holography imagery where spokespersons are "beamed down" right in your aisles to talk to your customers.**
- **Computer displays and key boards to answer your customers' questions, to display product information, and to demonstrate product.**

Remember, no matter where you merchandise the products you offer—on the floor, ceiling, walls, or end caps—successful merchandising uses a clarity of presentation to promote, inform, and educate your customers about the products you carry and to induce them to buy those products.

How Often, How Much

Experts say that good store design is a matter of constantly re-evaluating how your store looks compared to other stores. You should have a rotating schedule of basic maintenance jobs such as cleaning, sign maintenance, and end cap updating on a daily and weekly basis. Inside and outside painting and other major jobs can be scheduled on a yearly basis.

A complete design update should be planned for every five years unless special circumstances (such as new competition coming into your market area) make it necessary to do it sooner. That is, you need to re-design whenever the cash register stops ringing.

How much will this cost you? That depends. A simple "up-date the fixtures and add a fresh coat of paint" job will cost you about $10 per square foot. A more extensive re-design will cost you somewhere between $20 and $100 a square foot. But, as our experts have told us, it's the best money you'll ever spend. ■

For more information about designing your store, see the following *Automotive Marketing* articles: *Clear Goals Make Better Prototype Stores*, August, 1987; *Designing Retail Parts Stores For Profit*, September, 1987; *Store Design Harmony Brings Success*, August, 1987.

This section of *Automotive Marketing's Retail Aftermarket Guide* was put together from information written by **Gail Krueger-Nicholson,** Managing Editor with contributions from **Neil Levy,** Touche Ross.

THE NINE P'S

Before redesigning your store, or designing a prototype, determine how well the marketing mix measures up to the marketing strategy by examining the nine P's of your marketing mix:

- Positioning.

How well has your company defined its consumers and target segments and matched them with categories, quality, and price points of merchandise?

- Personality.

What is the image consumers have of your store? How close is their view to your consumer response statement?

- Products.

Review your merchandise categories, brand names, quality, price points, and sizes in terms of the targeted consumers' needs, wants, and purchasing power.

- Pricing.

Compare selection, value, and service (retail mix) of your merchandise to that of your primary competition. Even a good marketing strategy, successfully implemented, is doomed to fail if your competitors are doing the same thing better.

- Packaging.

Consider such things as the colors and graphics used on your store's logo, bags, forms. Are these coordinated with the company's business image, merchandising thrusts, and consumers' tastes and expectations?

- Presentation.

Are your current store design, visual display, and graphics in harmony with the business image, merchandising thrust, and consumers' taste?

- Promotion.

Are your communications programs working hand-in-hand with the marketing strategy? Look at your sales and store promotion, institutional advertising and public relations, and merchandise advertising. Do they support the business image, merchandising thrust, target market, and merchandising programs?

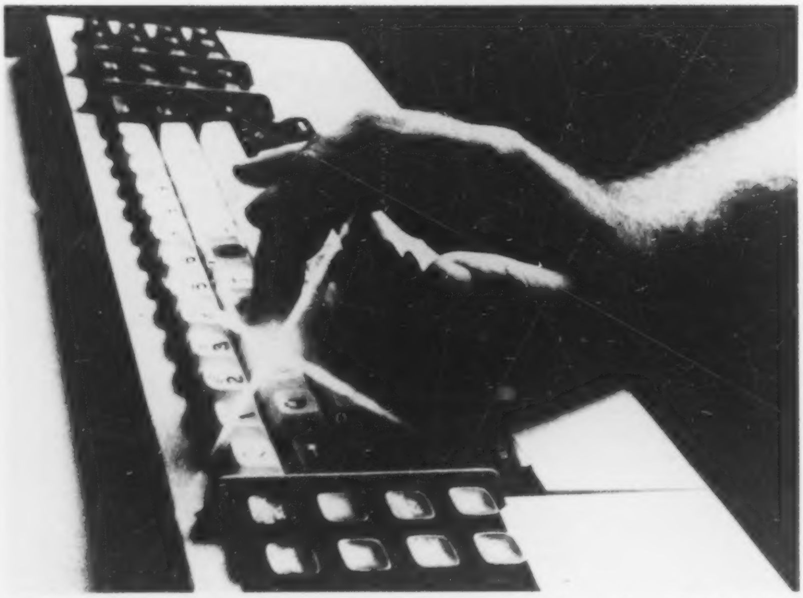
- Post-Sales Service.

You must determine how post-sales services—such as return policies—accommodate the targeted consumer's expectations, the store's personality, and positioning.

- People.

The perception consumers take home with them is strongly influenced by the people who serve them (or fail to serve them) at the store.

COMPUTERIZE YOUR OPERATION FOR PROFIT



Four years ago, we said that retailers would have to computerize in order to survive into the 21st Century. We said computers would be required for basic inventory control, personnel scheduling, parts look-up, accurate ring-ups, payroll, billing, and other functions.

Among aftermarket retailers we recently surveyed, 70% have computerized their businesses to some extent. And, they are happy they have computerized. Steve Levine, Midway Auto Stores, Dallas, for example, said that his company installed a well-known jobber system three years ago. "We have been able to double turns on merchandise and get a handle on theft problems," as a result of that installation, he reported.

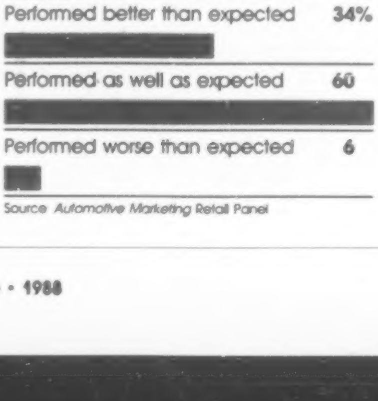
Since 1984, hardware (terminals, keyboards, processing units, and the like) manufacturers both have added more and more possibilities for computer uses. The result has been a plethora of new possibilities—and new confusions—for computers and their owners.

After all, retail automotive aftermarket businesses run on bits and pieces of information. Such information includes prices, product turns, SKUs, sales, and orders. Today, automotive retailers have only to pick up a business magazine to read about how companies use management information systems (MIS)—systems that put all those bits of information in a meaningful fashion—to gain competitive advantages.

You might wonder then, are there information systems you should be developing for your aftermarket business?

HOW COMPUTERS PERFORM FOR AFTERMARKET RETAILERS

We asked retailers who had computerized how they found their systems worked for them after their installation. A significant number discovered more benefits to computerization than they had expected.



Source *Automotive Marketing Retail Panel*

There probably are. Such information systems and their uses include:

- **Generic systems that run the day-to-day business, such as payroll and general ledger.**
- **Systems used to enhance productivity, such as computer generated labor scheduling.**
- **Systems used to gain a competitive edge, such as a data base of competitors or zone pricing.**
- **And systems which are considered defensive in nature—like those which stores use to improve customer service levels, automated electronic ordering system tied to suppliers for instance.**

But before working on top-of-the-line, competitive systems, first be sure all the generic systems that run your business day-in and day-out are in place and running smoothly.

Almost every successful retailer has good quality systems for daily operations. And having those systems requires corporate information planning.

Why Plan For Information?

Information planning is a process that identifies system needs, priorities, and ways to satisfy them. It is a major expenditure justified by your company's need to support your business plans.

You might ask why you should plan for information systems. Just consider for a moment the capital, time, and people you invest in your information systems. Your information systems should be planned just as any major expenditure is, and should be closely linked with your business plans.

For automotive retailers, planning is even more critical than for some other retailers. In the past few years, the aftermarket has become more competitive, and typical merchandise planning is done on a six-month time period. Most major information systems usually take at least a year to implement, even when using a developed package, so planning is critical. In addition, without careful planning in the systems area, resources can be pushed and pulled continually, addressing short-term problems and never getting to the major systems needed to run the business and remain competitive.

Developing Your Plan

There are four major phases in developing your information systems strategy and plan:

- **Assessment: review current information systems status.**
- **Strategy development: determine information systems strategic direction.**
- **Plan development: conceive the information systems master plan.**
- **Execution: implement and control the information systems plan.**

First, there are some basics to consider starting with the planning team. The team should be led by the senior management information systems (MIS) or data processing executive, if your company has one. The team members, one from each functional area of the business, should report to the senior executives of the company, to ensure clear direction and priorities on the business plans, resolution on key policy and business decisions, and commitment of the resources necessary to developing the plan. The team should get management approval before implementing the final plan to prevent hassles and delays.

Another consideration is that information planning is not a cookbook, step-by-step activity but rather a *process* that needs to be modified to meet your needs. The team must seek and be receptive to the needs of all information users and provide enough flexibility in the plan to adapt to these needs.

Timing is another important consideration. Try to complete the plan in a relatively short time so that planning does not become an end in itself. A typical automotive retailer can develop a high quality, long-range information systems plan in about two to four months. The plan should cover three to five years.

The *level of detail* at the planning stage is still another consideration. The first step in the execution of the plan for a particular application is a detailed feasibility study and an outline of the system requirements. Your plan needs to describe applications in broad terms with broad statements of your business needs.

Assessment Of Your Status

The planning process begins with assessment of the current information available, your company's business plans, and the systems needed to support those plans. In this phase, the project team answers the following questions:

- **Where are we?**
- **Where do we want to go?**
- **What are the business, technology, and resource issues?**

To answer these questions, your team must understand your business's needs and directions, the current status of MIS within your company, the status of other automotive retailers in the technology area, and where technology is headed. This information enables the team to understand the opportunities which technology can provide to run your business more effectively.

This assessment phase is very important because the team must have a clear picture of where the company is before it can develop a road map for where it wants to go. Part of the assessment involves determining user needs and satisfactions, as well as the MIS capabilities needed to support increased demands and new business plans.

Developing Strategies

This phase sets the direction and strategy for MIS. During this phase your team answers the following questions:

- **What are the options?**
- **What are the cost/benefits tradeoffs?**
- **What is the "best" direction to take?**

In answering these questions and developing the strategy, the team keeps in mind your business goals and objectives, as well as the risks and impacts associated with each one. The team must develop broad alternatives in terms of applications, data management, and the technical and organizational support needed to collect all the necessary data and provide flexibility to report on it in

POS MERCHANDISING BENEFITS

Retail companies expect merchandising benefits from their POS systems. While the realization of the benefits has decreased, the absolute number of firms actually realizing the benefits has increased. For example (see the top line of this chart), in 1986 25% of the respondents to this study actually realized reduced markdowns from POS (56% initially expected times 45% realized expectation), while in 1981 only 14% (28% initially expected times 51% realized expectation) did so.

	1986		1981	
	Initially Expected	Realized Expectation	Initially Expected	Realized Expectation
Reduced markdowns	56%	45%	28%	51%
Reduced inventory levels	57%	42%	43%	58%
Increased inventory turns	57%	40%	41%	55%
Increased gross margins	56%	38%	25%	72%

Source: Touche Ross

many different ways.

During this phase, your project team looks at justification for the various applications. The justification can take many forms. For generic systems, there may be limited cost/benefit analysis. For systems that enhance productivity, there may be a more traditional and detailed cost/benefit analysis. For competitive systems, the justification is more often a description of the business benefits. For defensive systems, the justification usually takes the form of a description of the business benefit.

The strategy developed during the prior phases is now ready to be turned into an implementation or master plan. The master plan should include time frames, resources, responsibilities, and budgets. During this phase your team answers the following questions:

- **What are the company's priorities?**
- **What resources are required?**
- **When will the plan be implemented?**

In developing the master plan, the team must be practical and consider, for example, the organization capabilities of both MIS and users, the resources, constraints, the financial implications, measurement of success responsibilities, and the risks. The master plan should specify the sequence of activities and assign responsibilities.

Plan Implementation And Control

This phase is the last and, in many ways, the most important in business information planning. During this phase your team begins to execute the plan. It is crucial to recognize that the plan is subject to change. Mechanisms must be in place to monitor the progress against the plan and to recognize when the plan needs to be changed because of business needs, competition, or technology change.

Questions answered in this phase are:

- **How do we manage and control the plan?**
- **When do we update it?**

The project team needs to employ a management and control process appropriate for your company, the project's risks, and contingency positions. A steering committee is a very good vehicle for managing the plan on an ongoing basis, with an annual review as a part of the business planning process. The plan should identify major milestones, develop a control reporting approach, and establish responsibilities for managing, monitoring, controlling and updating.

POS DATA COLLECTION BY SALES VOLUME (NORTH AMERICA)

Throughout North American, as in the rest of the world, most retailers regardless of sales volume collect POS data daily.

Sales in Millions	Collect Daily	Collect Weekly	Collect Bi-weekly	Other
Total	83%	6%	NA	11%
$1-50	84%	8%	NA	8%
$51-150	81%	5%	NA	14%
$151-250	89%	NA	NA	11%
$251-350	89%	NA	6%	5%
Over $351	80%	6%	NA	14%

Source Touche Ross

Once the overall plan has been devised, the committee can start looking at what is available in the field. To help with this, let's look at a few of the latest trends and hardware offerings in the computer field for aftermarket retailers.

Specialized Systems

One major trend is towards ever more specialized computer offerings for specific tasks. By now there's a specialized computer system available for just about every type of aftermarket business.

The best known in the industry are the plethora of systems designed for jobber/retailers. Well-known names in this field include Armor Systems, Maitland, FL; Autologue Computer Systems, Fullerton, CA); Counter Systems Corp., Flushing, NY; Datatron Systems Corp., Des Moines, IA; Distribution Management Systems, Rocky Mount, NC; ICAS Computer Systems, Sparta, NJ; Kirk-Van Orsdel Computer Services, Des Moines, IA; MacDonald Computer Systems, Burbank, CA; Parts Data, Andalusia, AL; Rexon Business Machines, Culver City, CA; Triad Systems, Sunnyvale, CA; and The Ultimate Corp. East Hanover, NJ.

With so many systems offered, it is no surprise that not one is universal. In all, at least 17 different hardware brands are used by retailers across the country. However, 37% of the jobbers with significant amounts of retail sales we surveyed said they had installed Triad systems, while 13% use IBM hardware. Interestingly, when the Automotive Parts & Accessories Association (APAA) did a survey of retail computer users in 1982, only 22% used Triad systems, while 30% used IBM systems.

Besides jobber systems, there are specialized computer systems for tire dealers, repair shops, and collision repair shops. And there are packages to be assembled from generally available hardware and software that volume retailer can, and do, use. This, however, may be an advantage since the retailer is not confined within a too-specific system. James Willey, Waverly Motor Supply, Waverly, IA, for example, installed a computer system three years ago. "The units have worked well," he said. But, he added, "We find we would like to go to even more sophisticated equipment."

COMPUTERIZE YOUR OPERATION FOR PROFIT

Point-of-Sale Systems

Over the past few years *Automotive Marketing* has stressed the value of Point-of-Sale (POS) systems for retailers. In January 1987, Touche Ross produced a study on the status of computerization in all retail segment, done in conjunction with the National Retail Merchants Association. The study is called *Point Of Sale: Current Trends And Beyond*. What it found was a change of attitude since 1981, when most retailers found it difficult to justify the costs of POS. The study found that, today, most retailers feel it pays for itself—and that most large retailers use some form or another of POS and an in-house computer.

Aftermarket retailers are keeping up with the other large retailers in terms of installing POS systems. In the latest *Automotive Marketing* survey, 48% of them reported that they used a POS system in their stores. Most capture SKU data; do accounts payable and general ledger during financial cycles (but not heavily for payroll); and do staple stock, purchase order management, and merchandise receipt during purchase cycles with their POS systems.

In general, Touche Ross found that retailers got much more from their POS systems than they expected. Consequently, retailers in all segments, including the aftermarket, are investing heavily in this technology and receiving benefits from its increased use, according to the survey. But while respondents to the survey said they were getting much more from their systems than did retailers in similar 1977 and 1981 surveys, the full potential of these systems is still to be tapped.

As POS has grown, its users see management changing because of it. Most told Touche Ross that there will be more technology employed at the store level and that MIS groups will become increasingly important in creating future business strategy.

POS OPERATIONAL BENEFITS

Retailers expect many benefits from their POS systems. Study responses indicate that most retailers have realized the benefits they expected. The two benefits most frequently sought are faster, more accurate information gathering and additional sales information. In comparison to 1981, the expectations of benefits such as faster and more accurate information gathering have decreased. However, initial expectation of other benefits such as increased sales, peak season handling, and reduced bad debt have increased. Realization of these benefits has also increased.

	1986 % total sample		1981 % total sample	
	Initially Expected Benefit	Realized Expected Benefit	Initially Expected Benefit	Realized Expected Benefit
Faster information	69%	79%	75%	87%
More accurate information	69%	78%	74%	87%
Additional sales information	67%	77%	65%	79%
Improved payroll & commission data capture	46%	77%	37%	65%
Reduced data entry	64%	72%	60%	87%
Reduced sales audit costs	59%	70%	73%	75%
Increased accounts receivable cash flow	50%	65%	31%	78%
Increased sales	54%	42%	31%	62%
Reduced bad debt	57%	61%	33%	79%
Ability to handle peak season	61%	72%	48%	83%
Improved salesperson productivity	63%	67%	52%	76%
Improved salesperson morale	62%	66%	30%	82%
Improved store image	64%	71%	38%	87%

Source: Touche Ross

Touche Ross found that the rate at which retailers using POS can convert to new equipment has accelerated. The period of implementation is shorter today than it was five years ago, and the number of stores converted annually is greater. Interestingly, smaller retailers are more aggressive about replacing old equipment than are larger ones. Most retailers begin replacing their POS equipment within the next three years, while almost 45% of POS equipment in North America is over five years old.

POS Pays For Itself

The Touche Ross study respondents felt that POS is cost-justified. In fact, it pays for itself. As a group, the respondents spent slightly more than 1% of sales on MIS. It is difficult to put a dollar value on the benefits achieved, in part because the store is not a laboratory, and because improvements in merchandising and operations can often be attributed to several different factors. Nonetheless, experience has shown that the information generated through POS translates to bottom line dollars.

More than 72% of the 1986 respondents who expected POS to lead to improved gross margin achieved their goal, whereas less than 20% in the 1977 survey realized that benefit.

Most of the 1986 respondents with POS sent their data to a host computer, using a variety of methods, depending upon the type of store and the age of the equipment. Of those firms not currently communicating to a host, 13% planned to do so in the future, and most planned to start within the year.

The respondents had a broad range of options when it came to handling credit and accounts receivable. Bank card and credit authorization was the most extensively used POS application. Among those who did not do this, 13% planned to do so within the next three years. Interestingly, few firms have any concrete plans to implement debit card processing. This will be an application driven by market pressures rather than by retailers.

Benefits Of POS

Retailers expected a lot from their POS systems, and the survey responses indicate that most retailers got it. The benefits most frequently sought were faster, more accurate information, and additional sales information. In the area of disappointments, some retailers did not realize increased sales or reduced bad debts.

Other than the basic benefits, such as faster, more accurate information, the respondents realized operational benefits from POS which they did not expect.

In fact, more companies in the 1986 survey received unexpected benefits than did companies in the 1981 survey. For example, several leading chains are using their systems to cut down on internal theft by employees. IBM offers a program, "SPOT", just for this purpose.

Given that initial expectation has increased substantially, the realization of benefits by those not expecting them speaks strongly in favor of the ability of POS to deliver measurable benefits to retailers.

Bar Coded Check-Outs

In March 1983, *Automotive Marketing* investigated the use of bar codes for aftermarket retailers. At that time, we pointed out many of the favorable aspects of bar codes — instant accountability, product movement tracing, automatic price look-up, rapid inventory control.

"So why aren't the automotive chain stores standing in line waiting to make the transition from standard cash register to the latest scanning equipment?" we asked. Our answer was simple: "The motivating force for UPC (Universal Product Code) scanning was the pressing need for speed and efficiency at the check-out counter. However, we feel the automotive chains will need some other decisive factor to convince them that scanning is a worthwhile investment." That picture may be changing.

MIS BUDGETS: PERCENT OF SALES BY RETAILER TYPE

As a group, the respondents to a recent study on computer use in retailing operations spend slightly over 1% of their sales on management information systems (MIS). The actual range can be quite broad, however, with firms reporting spending as little as 0.1% and as much as over 2%. Retail automotive aftermarket stores fall into the specialty hardgoods category in this study.

Type Of Retailer	MIS Budget As % Of Sales
Total	1.07%
Specialty Hardgoods	0.77%
Discount/Mass Merchandiser	0.99%
Department	0.96%
Variety	1.46%
Specialty Softgoods	1.16%
Other	0.06%

Source Touche Ross

According to Satish Sharma, director of information services at Fel Pro Inc., Skokie, IL, "In the automotive aftermarket the real benefits from bar codes will be realized in the warehousing and distribution centers." He said such benefits include more accurate checking of incoming and outgoing items, changing inventories, speeding up cycle counting operations, and routing and monitoring shipments. However, retailers are also beginning to see benefits at the front end level.

According to the Touche Ross POS study, among hardgoods specialty stores like auto parts chains, 50% key at POS, much higher than in 1981. Wanding and scanning at POS are much less common, although the practices have grown since 1981. In spite of the small number of firms currently scanning, almost 40% (across all segments) plan to introduce this procedure.

The percentage of hardgoods specialty stores expecting to use UPC is up from 13% to 33% in the past five years. Smaller firms are less likely to use UPC.

Bar Codes In Place

As an example, in 1986 Pep Boys and Chief Auto Parts, two of the giants in the aftermarket, decided to incorporate UPC scanning in their stores. Bernie Greenberg, president of Stores Automated Systems Inc. (SASI), Bensalem, PA, explained that Pep Boys found their own "decisive factor" to prompt a conversion to a scanner system. "Pep Boys has a much higher customer transaction count than the typical auto parts chain store," he said. "The average Pep Boys store averages an annual volume of $2.7 million, compared to the industry average of around $1.2 to $1.3 million per store."

Chief's management found other factors to make scanning a viable possibility. According to Tom Metcalf, Chief's systems manager, "Our company has long been excited about the cost saving opportunities that bar code scanning represents and, after actual testing, we have seen them first-hand. Previously, our system was entirely manual. We had to price label each product on the shelves by hand, and at the checkout, we had to manually key all price data into the cash register. Scanning is simply the best means available to read and automatically collect pricing and product data accurately and reliability."

Chief worked with SASI to select equipment and develop software. Each in-store system consists of two cash registers with their own counter-mounted bar code scanner produced by Metrologic, Bellmawr, NJ, a central processing unit (CPU) in the back office, a CRT terminal, a modem, and a report printer.

When products are scanned, the scanner collects the bar-coded data and feeds it to the register. This sends it to the back office CPU which transfers it through the modem to the headquarters mainframe. At the same time, headquarters sends price changes back to the store CPUs.

The whole system "dramatically" increases the speed and scope of operational and financial data collection chain-wide and makes efficient and consistent updating of product prices easy.

Chief didn't have the new system installed chain-wide until the end of 1987. So, it won't immediately know how much value the new system will prove to be. But, the industry will be watching with interest.

On-Floor Selling

Right now, a Touche Ross study indicates that only 21% of the largest of all retailers are even thinking of letting customers enter their own transactions at a computer. Looking far down the road, it may be that computer systems will be used more and more for these functions, replacing a number of hard-to-hire floor sales personnel.

Already, some direct marketing retailers are testing free-standing electronic kiosks at which shoppers choose their purchases from items displayed on a screen, and then charge them to their credit cards. These orders are then gathered, usually by an attached modem, by the central warehouse for fulfillment. The Harris Catalog Library Mail Order Catalog Centers which are being installed in libraries in California are examples of these kiosks.

These systems range between being fairly simple to quite elaborate. Some systems, in use by large discounters and supermarkets, are simply store directories to product locations. Customers can see the products they want in different colors they choose—this system is already in use by a number of new car dealers. Some systems even switch on automatically when they detect a customer.

MIS BUDGETS: PERCENT OF SALES BY SALES VOLUME

As retail firms grow in sales, they do gain some economies of scale in management information systems (MIS).

Sales In Millions	MIS Budget As % Of Sales
Total	1.07%
$1-$50	1.20%
$51-$150	1.13%
$151-$250	1.13%
$251-$350	0.06%
Over $351	1.05%

Source: Touche Ross

The systems also can capture information about a customer; things like the type of car he's buying for and the type of credit card he uses. As well, the modems in open models can be used to update them from central sources.

To an extent, this is "blue sky" material: there are no systems of this sort specifically designed for the aftermarket yet. Some computerized displays that provide DIY information have been produced; Champion Auto Stores introduced such a system in its stores in 1985. These do not yet, however, take customers' orders. Judging from the speed at which things have been happening in the computer field, however, it may not be long until these systems do start appearing in aftermarket retailers' stores.

In fact, it will not be long until automotive retailers are offered a whole new generation of hardware and software that will vastly enlarge their power to compete effectively.

Software

It's not only in hardware that great progress has been made recently. Software, too, is now available to handle a wide variety of jobs beyond basic inventory control, personnel scheduling, parts look-up, accurate ring-ups, payroll, and billing. You can produce planograms, talk with your customers, find out where to open a new store, and even figure out what to name a new product with new software packages.

Indeed, software is the first consideration in setting up a computerized system. Barry Higgins, National Parts Supply, Flemington, NJ, said his chain was forced to purchase its second choice of a hardware system because the satisfactory software wasn't available for the first choice.

The variety and number of different types of software available continue to boom. And, by now, literally hundreds of software programs—good programs that can be of use to virtually any retailer—are in the public domain. This means that they are not copyrighted, and the programs can be copied. These programs include PC-CALC, a spreadsheet program; Easyrite and Labelfile, word processing and label/file programs; and a number of different business financial programs. Often these programs are simpler to use than some of the more expensive copyrighted software, although they still can perform the functions the retailer needs. This can avoid problems like that encountered by M.A. Waters, Western Auto, Comfort, TX, who uses a Sanyo computer for bookkeeping. According to him, his biggest problem is that he needs a simpler program for this function.

Public domain software is available for the most commonly used computer systems, including IBM and MacIntosh. Most large libraries have a minicomputer section with many of these programs available for copying. Most have computers there on which the programs can be tested and, if useful, copied. If no such institution is nearby, you can send a self addressed, stamped envelope for a list of available public domain software to the Public Domain Users Group, POB 1442-A1, Orange Park, FL 32067. Its phone number is (904) 264-3512.

One disadvantage to most of these programs is that no written directions for their use are available. Often, they can be frustrating to attempt to use. In some cases, however, they have built-in directions which can be figured out quickly. While not necessarily a good idea for a total novice, it's often not a bad idea for an experienced user to get some public domain software in a potentially useful area, be it accounting or whatever, before investing heavily in copyrighted software and hardware. You might also try some of the very inexpensive software now available, usually selling at less than $10, for all basic business needs, including spreadsheet accounting, file management, word processing, and even figuring business calculations such as return on investment (ROI).

Many libraries with computer sections also have many of the more popular copyrighted programs so that a potential buyer can test the programs before spending any money on them.

Of course, when you pays for better-known, more expensive software systems, their manufacturers point out, you get a great deal more. Not only is this software customized for specific purposes, rather than designed for general business needs, but many software producers offer technical training and consulting after the software is put into use.

Merchandise Ordering

One of the first things that came about as the uses of computers in the aftermarket grew was a number of systems of computerized merchandise or parts ordering. According to Bob Arnold, marketing director of G.S.C. Computer Services Inc., Newtown, CT, "The next wave, in the form of machine-to-machine ordering between manufacturers and suppliers is already upon us. Installation of information technology is the only way of ensuring profitable participation in the future of the distribution industry."

Looking ahead at this trend, the Motor and Equipment Manufacturers Association (MEMA) founded its Management Information System Group (MEMA/TRANSNET) over a decade ago. At that time, it had six suppliers and a couple dozen cus-

MIS BUDGETS: EXPENSES AS A PERCENT OF SALES BY RETAILER TYPE

As would be expected, personnel accounts for the largest management information system (MIS) expenditure as a percent of sales, ranging from 36% among variety stores to 56% among softgoods specialty stores. There is also a range of budget figures for POS equipment, mainframes, software, voice communications, and maintenance. This chart only looks at the figures for specialty hardgoods retailers. Retail automotive aftermarket stores fall into the specialty hardgoods category in this study.

Category Of Expense	MIS Budget As % Of Sales
Personnel	44.3%
POS Equipment	2.0%
Microcomputers	1.13%
Data Communications	3.0%
Utilities	0.8%
Mainframes	19.7%
Application Software	0.8%
Operating Systems Software	3.0%
Database Software	0.6%
Non-POS Store Equimpent	2.7%
Space Costs	0.6%
Voice Communications	2.4%
Maintenance	7.7%

Percentages do not total to 100% due to partial responses.

Source: Touche Ross

MIS BUDGETS: EXPENSES AS A PERCENT OF SALES BY SALES VOLUME

The amount budgeted for management information system (MIS) personnel, as a percent of sales, declines with the increase in total sales. Among the smallest retailers, 56% of the MIS budget is dedicated to personnel. The largest retailers dedicate about 42% for personnel. There is no such pattern seen in most of the other categories. However a number of larger retailers are making major investments in voice communications.

Category Of Expense	Sales In Millions $1-$50	$51-$150	$151-$250	$251-$350	$351-Up
Personnel	55.3%	50.1%	46.3%	45.5%	41.9%
POS Equipment	6.1%	5.4%	9.7	6.8%	7.7%
Microcomputers	3.9%	1.2%	1.4%	3.0%	0.4%
Data Communications	3.4%	5.4%	3.6%	2.8%	5.0%
Utilities	1.8%	0.6%	0.1%	1.6%	0.3%
Mainframes	15.0%	10.0%	23.0%	21.9%	17.5%
Application Software	1.9%	2.7%	1.5%	0.8%	0.9%
Operating Software	1.4%	6.6%	5.9%	1.6%	3.4%
Database Software	0.6%	0.5%	0.5%	0.3%	0.5%
Non-POS Store Equipment	0.5%	0.3%	0.2%	0.5%	2.3%
Space Costs	3.5%	0.2%	1.7%	NA	0.5%
Voice Communications	0.1%	0.3%	4.9%	9.2%	9.9%
Maintenance	14.5%	7.8%	6.2%	6.3%	4.4%

Percentages [illegible] not total to 100% due to partial responses.

Source: Touche [illegible]

tomers. Today, according to Sheila Corrigan, MEMA/TRANSNET director, marketing communications, it is "by far the largest ordering system of its kind."

The system is basically an "electronic clearinghouse" for purchase order information. Customers use their computers, which can range from entire turnkey systems and mainframes to personal computers, to enter orders into the system. Each supplier's computer calls the system each day and retrieves all the orders placed to that supplier through TRANSNET.

The latest wrinkle in this system is the introduction of the ANSINET System. This is a generic electronic document transfer system used to exchange invoices, purchase order acknowledgments, shipping notices, and other standard business documents.

In much the same way, TRW's Replacement Parts Div. announced a new computerized ordering program for imported car parts at the recent Pacific Automotive Show. It can be used through most IBM-compatible minicomputers, and allows any retailer using the system to access inventory information and place orders through TRW's distribution network. ■

For more information about computers for your store, see the following *Automotive Marketing* articles: *POS: Getting More Than Expected*, May, 1987; *Computer Update: Hardware*, June, 1987; *Plan For Information Systems*, June, 1987; *Computer Update: Software*, August, 1987;

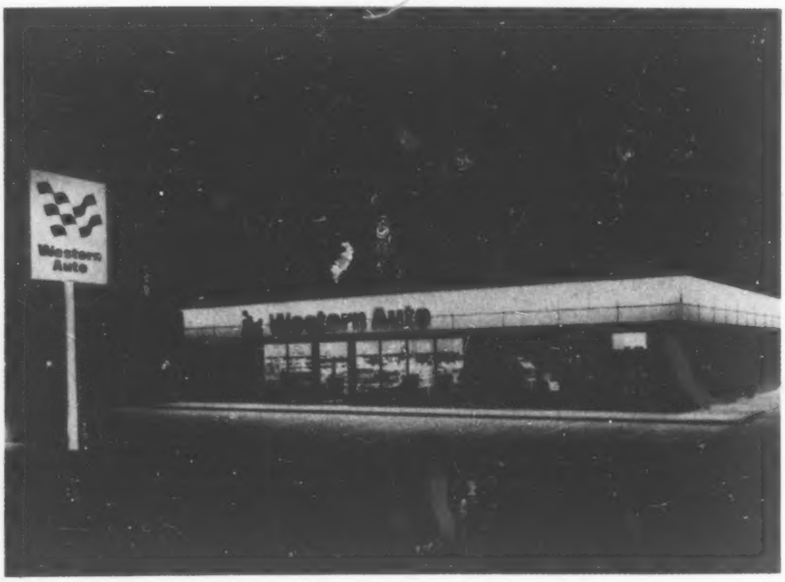
This section of *Automotive Marketing's Retail Aftermarket Guide* was put together from information written by **Philip Katcher,** Research Editor with contributions from **Randy Allen,** Touche Ross.

USEFUL SOFTWARE/DATA BANKS

Going beyond the well-known programs like Lotus 1-2-3 or Wordstar, there are a number of little-known, specialized software programs available that can be used on IBM or IBM-compatible PCs with MS-DOS—an industry standard produced by Microsoft—that many retailers could use but may not have found. Among them are:

Company	**Software's purpose**
Automotive Marketing 201 King of Prussia Road Chilton Co. Radnor, PA 19089 (215) 964-4398	Offer demographic and product data bank
Banner Blue POB 7865 Fremont, CA 94537 (415) 794-6850	Creates organizational charts
Core Analytic Inc. 674 Rt. 202-206 North Bridgewater, NJ 08807 (201) 218-0900	Does sales forecasting
Cybernaut Software 4127 Bay St., #C206 Fremont, CA 94538 (415) 657-0940	Manages mailing lists
Logistics Data Systems Inc. 11325 Seven Locks Rd. Suite 222 Potomac, MD 20854 (301) 983-8800	Produces planograms
Motor Vehicle Manufacturers Assocn. 300 New Center Bld. Detroit, MI 48202 (313) 872-4311	Has car/truck manufacturing, sales data
National Planning Data Corp. 227 Fort Pitt Blvd. Pittsburgh, PA 15222 (412) 471-6732	Does map creation/analysis
P-Stat Inc. POB H Princeton, NJ 08542 (609) 424-9100	Sets up surveys, statistics
Paul Mace Software 123 N. First St. Ashland, OR 97520 (503) 488-0224	Safeguards discs/data
Population Research Services POB 181032 Austin, TX 78718 (512) 837-0135	Indicates population growth/trends
Retail Systems, Inc. 14800 - 28th Ave., North, Suite 175 Minneapolis, MN 55441 (612) 557-2000	Gives County/Tract/MCD economics, demographics
The Salinon Corp. 7430 Greenville Ave. Dallas, TX 75231 (214) 692-9091	Creates store/product names
Sawtooth Software POB 3429 Ketchum, ID 83340 (208) 726-7772	Offers computerized consumer interviewing, statistics manipulation
Strategic Locations Planning Inc. 4030 Moorpark, Suite 1234 San Jose, CA 95117 (800) 628-2828	Maps by demographic/economic factors

SHOPPING THE COMPETITION



You can't ignore your competition. And, no matter how much you may wish to, you can't make your competition go away. But one thing that you can do with your competition, a move that is gaining favor with retailer managers, is to view the competition as a *source of information* instead of as just an adversary. You can take steps to implement this idea.

Who Is The Competition, Anyway?

First, identify your competition. Your competition may not be limited to who you think it is. It's a given that if you are "Joe's Aftermarket Store," you compete against "Bill's Aftermarket Store" for business. But what about all the other retail outlets in town? Do they, and just as importantly could they, compete against you?

To get a clearer picture of who the competition is, you should ask and answer two questions about the other retail outlets in your area:

- Who else satisfies the same customer needs as I do?
- Who else has and uses (or could have and could use) the same non-product/operational resources as I do? Non-product/operational resources include things like location, man-power, store hours, customer services, product suppliers, warehouse space, distribution, and other non-product items.

The greater the similarity between your store and other outlets, the greater the potential for competition. Potential competitors have the ability to satisfy the same customer needs as you do, or have similar non-product/operational resources to yours. Potential competitors turn into real competitors when customers perceive them as being able to satisfy their needs and when they use the same non-product/operational resources that you do to operate in your market.

How It Works

For example, instead of narrowly defining your competition by asking yourself who else sells oil, ask yourself who else can meet the customer's need to lubricate his engine. In the one case, if you are "Joe's Aftermarket Store" you may think your only competition is "Bill's Aftermarket Store" down the street. On the other hand, if you broaden your definition of who the competition is to include outlets that meet the need to lubricate the customer's engine, you realize that the competition includes "Bill's" as well as "Town Discount Store," "Bob's Fine Foods," and "Dick's Quick Lube" among others. They are potential competitors because they meet the customer's need in one way or another:

- "Bill's" is a lot like you: it sells three different brands of oil at three different price points.
- "Town Discount" also sells oil. It sells the same three brands you do plus a couple more, and it sells them for less.
- "Bob's Fine Foods" also sells oil.

THE COMPETITION: ALL PRODUCTS

We asked our Retail Panel: "Which outlets do you consider to be your main competition in the sales of all types of aftermarket products?"

Independent Automotive Retailers	22%
Automotive Chain Stores	61
Independent Jobbers	30
Programmed Distribution Jobbers	22
Discount Stores	48
Hardware/Drug/Supermarket	2
Service Stations	0
Specialty Service/Installers	13
Car Dealers	2
WDs	5

Source: 1987 *AM* Retail Panel
Totals are more than 100% due to multiple answers.

SHOPPING THE COMPETITION

It sells only one brand, and it is tucked in between paper goods and cleaning supplies.

- "Dick's Quick Lube" sells oil through installation.

Shop The Competition

Next, answer the second question: Who else has and uses (or could have and could use) the same non-product/operational resources as I do? To do this, take a look at the chart called "Shopping The Competition." Use it when you shop the competition (we are assuming you are as smart as 87% of our Retail Panel and *do* shop the competition; and we are also assuming you are as smart as the 86% of them who do so regularly) to evaluate both product related facts and non-product/operational resources. Use it when you shop in "Bill's." Also use this chart when you shop "Town Discount," "Bob's," and "Dick's."

Using our chart will give you a good picture of the competition's strengths. For instance, using our chart you would find out:

- "Bill's" has two full time clerks and one part time clerk who all know as much about oil as your guys do, and it keeps about the same hours as you do. But there is no parking here, and the store is cluttered and dirty inside.
- "Town Discount" is open more hours than you are and the oil is cheaper, but the clerks here do not know as much about oil as the ones in your store do and they are surly toward customers. Nevertheless, there are a lot of customers here and they buy a lot of oil.
- "Bob's Fine Foods" hours are longer than yours. And the clerks there know nothing about oil. However, the clerks are very customer-oriented, friendly, and helpful.
- "Dick's Quick Lube" has long

THE COMPETITION: HARD PARTS

We asked our Retail Panel: "Which outlets do you consider to be your main competition in the sales of hard parts?"

Independent Automotive Retailers	20%
Automotive Chain Stores	39
Independent Jobbers	39
Programmed Distribution Jobbers	28
Discount Stores	15
Hardware/Drug/Supermarket	0
Service Stations	0
Specialty Service/Installers	7
Car Dealers	2
WDs	7

Source: 1987 *AM* Retail Panel
Totals are more than 100% due to multiple answers

SHOPPING THE COMPETITION

You can use this check list as you shop other stores to see how your store stacks up against the competition. Give your store a rating of 1 (worst) through 5 (best) on these points. Then shop all of competitive outlets and rate them the same way. Compare the check lists to see how your store rates.

COMPETITIVE FACTORS	YOUR STORE	THE COMPETITION
Pricing		
Everyday Prices On Parts		
Sale Prices On Parts		
Everyday Prices On Service		
Sale Prices On Service		
Product Selection		
National Brands Product Quality		
Private Brands Product Quality		
Product Selection		
Product Availability		
Ease Of Finding The Product		
Product Information		
Easy-To-Use Catalogs		
Easy-to-Use Application Charts		
Product Demonstrations		
Installation Suggestions		
Care & Maintenance Ideas		
Explanation Of Brand/Quality/Grade		
Guarantee/Warranty		
Customer Service		
Friendly Employees		
Helpful Employees		
Knowledgeable Employees		
Fast, Efficient Check-out		
Easy Returns		
Easy Warranty Adjustments		
Ease Of Credit		

hours and the installers are well-trained to do their job. But that is all that they do—they don't answer customer questions or sell anything else.

Ranking The Competition

Now that you have identified your competition and identified some of their non-product/operational resource strengths and weaknesses, you can rank them using our "Competition Squares" chart. Those outlets that fall into square four are your most immediate competitors (in this case, "Bill's"). Those in square one are your least likely competitors (in this case, "Bob's Fine Foods"). Here's why:

- "Bill's" is obviously the most like you. It sells the same product and utilizes almost the same non-product/operational resources.
- "Bob's Fine Foods" is the least like you. It is only related to you in that it meets the customer's need to lubricate his engine by selling one brand of oil. But it does not share any of the non-product/operational resources you have. To compete with you in selling oil, "Bob's" would have to get additional suppliers and different staff.

Those outlets in the square two ("Town Discount") and square three ("Dick's Quick Lube") are your potential competitors. Here's why:

- "Town Discount" has the non-product/operational resources necessary to grab your customers, and it already sells some of the same product.
- "Dick's Quick Lube" offers a need-based alternative to you. That is, it sells oil but uses different non-product/operational resources to do so.

What You Learned

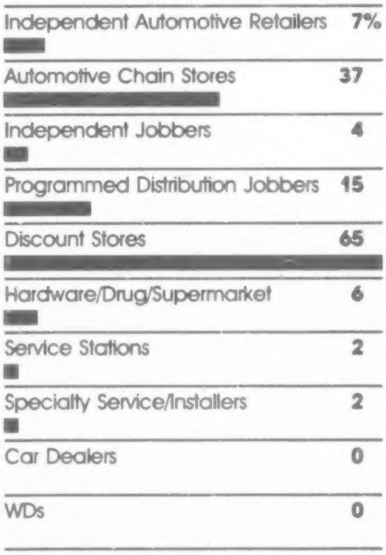
So, now what do you do with all the information you've collected, all the rankings you have compiled? You learn from them, you use them for sources of information. Each of the competitors, even the least likely one ("Bob's"), has taught you something. For instance:

- When you study "Bob's," you

COMPETITIVE FACTORS	YOUR STORE	THE COMPETITION
Checks Accepted		
Service Work Done On Time		
Ease Of Special Ordering		
Personnel/Hours		
Number Of Full Time Staff (Est.)		
Number Of Part Time Staff (Est.)		
Level Of Training		
Hour Open Per Week (Est.)		
Number Evening/Weekend Hours Open		
Est.Co-op Advertising		
Customer Profile Estimates		
% Repeat Customers		
Weekday Traffic (#)		
Weekend Traffic (#)		
Average Carryout $ Sale		
Average Service $ Sale		
Time Required To Make a Purchase		
Time Required For Service Work		
Location/Accessibility		
Store Signs		
Ease Of Entry		
Parking Availability		
Exit Ease		
Store Appearance		
Store Atmosphere		
Accessibility To Other Shopping		
Total Points		

THE COMPETITION: CHEMICALS

We asked our Retail Panel: "Which outlets do you consider to be your main competition in the sales of accessories?"



Source: 1987 *AM* Retail Panel
Totals are more than 100% due to multiple answers.

SHOPPING THE COMPETITION

worry that if they ever turn those friendly, helpful clerks loose on a well-stocked automotive department within the food store you could lose a few of your top-off oil buyers. You decide your own staff needs to be more customer aware.

- When you study "Bill's," your most similar competitor, you realize the importance of a clean, neat store, and you feel you do a good job with that.
- When you study "Town," you decide your bulk oil display is not as effective as it could be because customers do not respond as well to it as they do to the bulk display in "Town." You decide to rebuild your bulk display.
- When you study "Dick's,"you realize that you could lose young, time-short customers to the installation business. You decide to strengthen other aspects of your operation—longer hours, helpful staff, customer service—to offset the potential of lost business.

Planning is the logical extension of this kind of fact gathering effort. You plan how you will improve the training of your clerks so they know more about oil. And you plan how you will improve their salesmanship so they are more friendly and responsive to customers. And perhaps, you plan on doing more oil installation than you did before.

Whatever you plan, by looking at the competition first, your plans will be better able to meet your customers' needs. ■

This section of *Automotive Marketing's Retail Aftermarket Guide* was put together from information written by **Gail Krueger-Nicholson,** Managing Editor.

THE COMPETITION: ACCESSORIES

We asked our Retail Panel: "Which outlets do you consider to be your main competition in the sales of accessories?"

Independent Automotive Retailers	7%
Automotive Chain Stores	37
Independent Jobbers	4
Programmed Distribution Jobbers	15
Discount Stores	65
Hardware/Drug/Supermarket	6
Service Stations	2
Specialty Service/Installers	2
Car Dealers	0
WDs	0

Source: 1987 *AM* Retail Panel
Totals are more than 100% due to multiple answers.

THE COMPETITION: DO YOU SHOP THEM?

We asked our Retail Panel: "Do you ever go into a competitor's store?"

Yes	87%
No	11
Don't Know/No Answer	2

Source: 1987 *AM* Retail Panel

THE COMPETITION: HOW OFTEN?

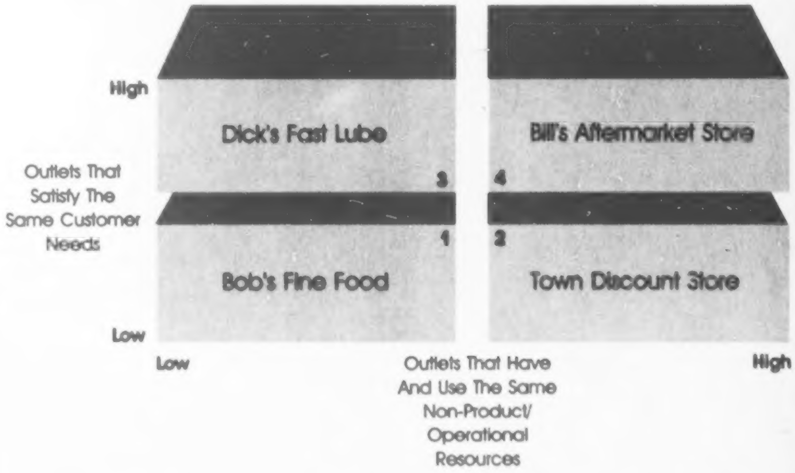
We asked those of our Retail Panel who do shop their competitor's stores: "How often do you do so?"

Weekly	11%
Monthly	34
Every Three Months	30
Every Six Months	11
Yearly	11
Less Often	2

Source: 1987 *AM* Retail Panel

COMPETITION SQUARES

Once you have identified your competition, place them in these squares according to how well they satisfy the same customer needs that you do (high or low) and if they have similar non-product/operational resources to you (high or low). Those outlets in square one are your least likely competitors. Those outlets in square four are your most immediate competitors. Those outlets in the square two and square three are your potential competitors.


High
Dick's Fast Lube
3
Bill's Aftermarket Store
4
Outlets That Satisfy The Same Customer Needs
1
2
Bob's Fine Food
Town Discount Store
Low
Low
Outlets That Have And Use The Same Non-Product/ Operational Resources
High

Source: Adapted from "Competitors As Sources Of Innovative Marketing Strategies," C. Whan Park & Daniel C. Smith, for The Marketing Science Institute, 1986

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AUTOMOTIVE MARKETING

The Marketing/Business Magazine For The Retail Aftermarket

MAY 1988

RETAIL SALES TRAINING

What you need to know about automotive systems and the products on your shelves

INCLUDES:

Best Selling Tips

Glossaries

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FEATURES

RETAIL SALES TRAINING 19

Everybody in your store can use more training, even you. Training builds better employees and builds better bottom lines. In this special section, we look at basic automotive systems and the products that serve them. We give you questions, answers, a glossary of terms, and selling tips.

Batteries 20
Battery Chargers 22
Brakes 24
Car Sound 26
Car Washing Equipment 28
Chemicals 30
Cleaners 32
Cooling System Parts 36
Electronic Accessories 38
Filters 40
Floor Mats 42
Fuel Pumps 44
Ignition 46
Motor Oil 48
Remanufactured Parts 50
Ride Control 52
Window Film 54
Wiper Blades 56
Lighting 58

DEPARTMENTS

Detailing The Market 4
Editorial 8
The *Automotive Marketing* Index 11
Market Line 12
Employees & The Human Factor 59
Products 60
Rep Guide 63
Ad Index 66
Reader Service Card 67

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The photos and other art used in the Retail Sales Training sections of this issue were supplied by Chrysler Corp.

PUBLISHER'S NOTES

PEOPLE COUNT

Mike Manor, Chief Auto Parts Inc.'s president, got to the crux of the matter at Chief's recent national sales meeting when he pointed out that all businesses are in the "consumer business," no matter what products or services we sell.

At *Automotive Marketing*, we agree with that totally. And that's why we're devoting this issue to training: If the store employees don't know what to sell, and how to sell, they can't help the customers. And customers who aren't properly helped are not repeat customers.

Customers tell you twice. They gripe when very unhappy, and praise when very pleased. But what about all the other customers, and how they feel? See our Employees & The Human Factor piece.

Our Supply Side column interview with Stuart Landow begins what promises to be exceptionally interesting coverage of the effect on the manufacturers rep segment from the consolidation of the retail automotive chains. Check out the other industry highlights in our quick-read *Detailing The Market* section, too.

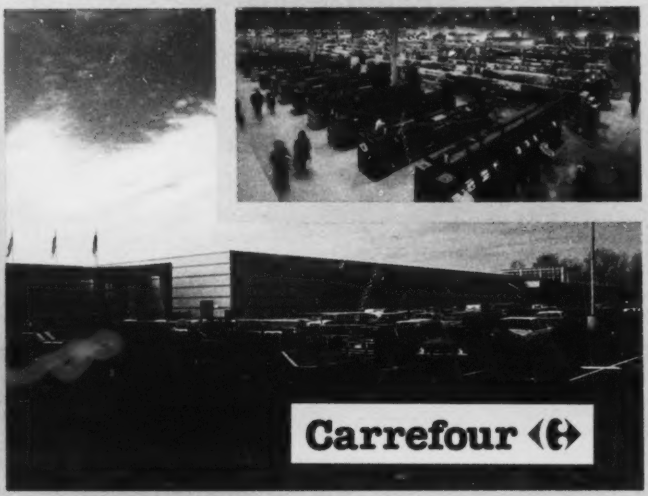
There's lots to read, and lots for you to share with all your retail sales people. Let us know how well you like the issue. ■

Sarah Frankson
Publisher

DETAILING THE MARKET

IN-STORE FOCUS

CARREFOUR U.S.A.
Headquarters: Knights and Woodhaven Rds., Philadelphia, PA 19154. (215) 632-8100
Stores: One in U.S.; 115 operating as Carrefour in Europe and South America
Total Chain Sales: $9 billion worldwide; Philadelphia outlet new
Average SKUs: 50,000
Founded: 1965; Carrefour U.S.A. opened early 1988



A few months ago, a French-owned "hypermarket" opened its doors in the greater Philadelphia area, boasting a massive product line ranging from bread to baby shoes, melons to motor oil.

Carrefour U.S.A. is the American division of a $9 billion international firm which says it created the hypermarket style of shopping.

Just what is that style? Some 330,000 sq. ft. of space, 160,000 of which is retail area with 15 tenant stores, ranging from a travel agency to a dry cleaner to a sub-post office to restaurants. Shopping carts. Hours for every day of the week; 9 am-10 pm Monday through Saturday; 9 am-6 pm on Sundays. Unusually wide aisles; high ceilings; and an ambiance which is half warehouse, half comfortable department store.

Unlike some warehouse outlets, service is available; clerks are trained to service specific sections, and there are clerks in every aisle to answer questions.

The feel of the store, however, is similar to warehouse retailing. There's the same no-frills appearance (although neater and more pleasant to shop); the same spacious feeling. But Carrefour U.S.A has two to three times more floor space, and considerably more product. Carrefour U.S.A. is almost a mini-city, providing a one-stop place to take care of all errands.

Automotive products are part of the product mix. The auto department itself offers some 1,500 SKUs, leaning heavily at this time on chemicals and oil. The store carries two brands of oil (Mobil and Quaker) at competitive prices. At last check, Mobil 1 synthetic was priced at $2.69 a quart. There's a full line of chemicals and waxes, including accessories such as long-handled car wash brushes. This is what moves, and moves well, according to Lou Grieco, merchandise manager for hardlines and consumer electronics. "We've already reordered all the washes and waxes," he said. "Other best-sellers include, in addition to the oil, basics such as windshield washer fluid and dry gas," Grieco said.

The department also carries floor mats, seat covers and other decorative basics, and is just beginning to branch out into truck accessories.

"Other than halogen lights and mirrors, we haven't had a 'truck equipment' section," Grieco said. "We're now branching out into the 'dressup' truck area with items such as bed liners and truck mats." These additions are based on customer need, said Grieco. "We planned it this way," he said. "We're watching to see what the customers want. We would rather add items than take them away."

Carrefour U.S.A. has five service bays devoted exclusively to tire and battery installation. When you purchase your tires at Carrefour, you pay $4 per tire for high-speed balancing. Installation for tires and batteries is free. The bays are not intended for other service.

This type of auto department is appealing to the impulse shopper and the Sunday DIYer. A "minor" Do-It-Yourselfer, in Grieco's words, is going to find a fairly substantial line of basics, which includes a "tune-up program" in which Carrefour sells all the parts; and a full filter program as well. Items such as tools and car stereos, merchandised in other parts of the store, are not counted as part of the 1,500 basic auto SKUs

It's too soon to tell how much impact Carrefour U.S.A. will have on local auto aftermarket retailers. Grieco believes that the major competition will be K marts and similar types of stores. Large chains such as Pep Boys, which is based in this area, will probably not feel a pinch because their product offering is much broader.

As for expansion into other areas of the country, progress is slow at this point. In Long Island, wrangling over traffic problems has delayed another Carrefour store. According to a spokesman, the U.S. chain will grow based on the success of the Philadelphia outlet.

PROFILE: DIYers WHO SHOPPED 11-15 TIMES LAST YEAR FOR AUTO SUPPLIES

Drawing from the 1988 *Automotive Marketing Consumer Automotive Repair Study,* we look at DIYers who shop between 11 and 15 times a year--about once a month--for automotive supplies.

			Age					Income				Hours Per Month Spent On DIY			
Total	Male	Female	-25	25-34	35-44	45-54	55 +	-$20K	$20-30K	$30-40K	+40K	-1 Hrs	1-5 Hrs	6-10 Hrs	11 + Hrs
100.0%	75.5%	24.4%	33.6%	27.0%	18.8%	9.8%	10.7%	22.6%	25.6%	21.5%	22.7%	8.1%	56.4%	32.1%	2.1%

DETAIL

43%

of American adults consider pleasure driving their primary recreational activity, according to a recent survey for the President's Commission on the American outdoors.

THE AUTOMOTIVE MARKETING INDEX

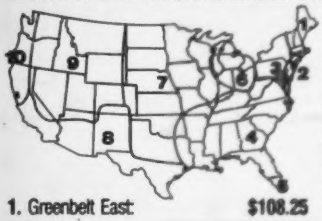
THE 1988 *AUTOMOTIVE MARKETING* MARKETBASKET

To determine the price movement, *Automotive Marketing* created a "marketbasket" of the best prices available for nine popular aftermarket products. We determine the best available price of each item in each marketing area each month to come up with an average marketbasket index. The products include a non-resistor spark plug; an oil filter; a can of 10W30 motor oil; a can of paste wax; an AM/FM/Cassette radio; a gas-charged shock absorber; a gallon of antifreeze/coolant; a pair of windshield wiper refills; and a 40-month-warranty battery. These products are usually on sale somewhere within each marketing area, which we define by their unique geographic, meteorological, and consumer characteristics.

FEBRUARY 1988 NATIONAL AVERAGE MARKETBASKET PRICES

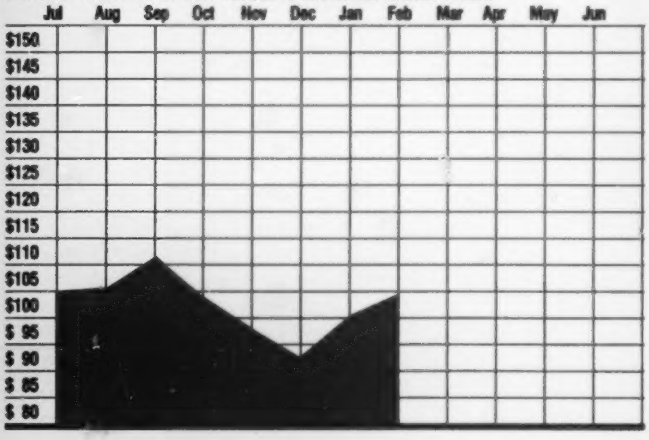
A non-resistor spark plug:	$ .78	A gas-charged shock:	$ 11.57
An oil filter:	1.69	One gallon of antifreeze:	4.10
A can of 10W30 oil:	.69	One pair of wiper refills:	2.17
A can of paste wax:	3.32	A 40-month battery:	29.49
An AM/FM/Cassette:	49.95	Total:	$104.03

FEBRUARY 1988 AM MARKETBASKET PRICES BY MARKETING AREA



1. Greenbelt East	$108.25
2. Megapolis East	103.43
3. Smokestack East	$102.29
4. Old South:	98.92
5. Caribbean South:	107.55
6. Smokestack Central:	103.82
7. Grainbelt Central:	105.44
8. Spanish West:	116.43
9. Desert West:	87.15
10. Greenbelt West:	87.15

NATIONAL AVERAGE MONTHLY 1987/88 AFTERMARKET BASKET PRICES



AFTERMARKET BUSINESS INDICATORS

	Unit/Base	Mo/Qr	Current Period	Prior Period	Year Ago, Same Period	Low (64-88)	High (64-88)
Consumer Price Index	(67 = 100)	Dec	345.7	345.8	331.1	May 61 89.3	Nov 87 345.8
Prime Rate	%	Mar 21	9.50	8.50	7.50	–	–
Personal Income	Billion $	Nov	3,839.7	3,850.6	3,577.5	Jan 61 403.8	Oct 87 3,850.6

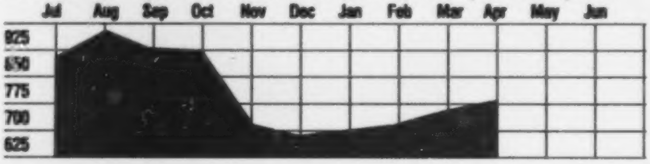
1988 AFTERMARKET STOCK PRICES

The figures below are the high and low prices offered and paid for various aftermarket-related common stocks in various exchanges for the 52 week period prior to April 12.

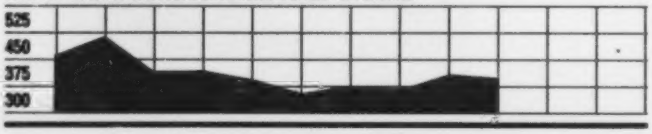
	Exchange	52-week High	52-week Low	4/12 Quote	P-E Ratio
Armor All	OTC	27 ¼	10 ¾	20 ¼	23
AutoSpa	OTC	6 ½	⅞	15/16	–
Champ Parts	OTC	12 ⅜	4	6 ⅜	21
Champ Spk Plg	NYSE	16 ⅜	7 ⅞	12 ⅜	25
Chevron	NYSE	64 ⅝	32	50 ¾	17
Dana Corp.	NYSE	54 ¼	27 ½	38 ⅛	12
Durakon	OTC	14 ¼	7 ½	13 ⅜	14
Echlin	NYSE	22 ¼	10 ¾	16 ⅜	19
Facet	NYSE	30	10 ½	29 ¼	–
Genuine Parts	NYSE	44 ⅜	27 ¼	39 ¾	21
Grand Auto	AMEX	23 ⅜	7 ⅜	15	–
Modine	OTC	22 ¾	11 ¾	18 ¼	12
Mr. Gasket	OTC	7 ¾	5	5 ¾	73
PACCAR	OTC	78 ¼	43 ½	77	12
Prkr Hannfn	NYSE	49	24 ½	36 ⅜	18
Pennzoil	NYSE	88	38 ½	78 ⅜	114
Pep Boys	NYSE	18 ⅞	9 ½	12 ⅝	20
Quaker State	NYSE	29	12 ⅞	25 ½	–
Rite Aid	NYSE	46 ¼	28 ½	40 ⅝	18
Sealed Power	NYSE	39 ⅝	21 ¾	34	16
Sears	NYSE	59 ½	29 ¾	36 ½	8
Stan Mtr Prod	NYSE	22	11 ⅛	15 ½	13
Superior Ind	AMEX	19 ⅜	9	15 ⅝	10
TBC Corp.	OTC	14 ⅛	3 ¾	14 ⅛	12
TRW	NYSE	70	37	48 ⅛	12
Tenneco	NYSE	62 ½	36 ⅛	45 ¾	–
Trak Auto	OTC	19	7	12 ¼	20
Triad Systems	OTC	14 ¾	7 ½	11 ⅜	15
Western Auto	OTC	18 ⅞	5 ¾	18 ⅞	23
Witco	NYSE	45 ¼	26 ⅝	36 ¼	13
Wynns	NYSE	30 ⅜	14 ½	20 ¾	44

DOW JONES 65 COMPOSITE STOCKS

Dow Jones 65 composite stock and *AM's* 17 aftermarket stock price as of April 12.



AM 17 COMPOSITE AFTERMARKET STOCKS



PRODUCT OF THE MONTH: BATTERIES

Drawing from the 1988 *Automotive Marketing Consumer Automotive Repair Study*, we look at the individuals who purchased and installed a battery during a 12-month period.

			Age					Income				Hours Per Month Spent On DIY				Number Of Cars Responsible For		
Total	Male	Female	-25	25-34	35-44	45-54	55+	-$20K	$20-30K	$30-40K	40K	-1 hr	1-5 Hrs	6-10 Hrs	11+ Hrs	1	2	3 or More
100.0%	88.2%	11.8%	15.8%	34.6%	17.7%	18.6%	12.3%	21.9%	18.2%	28.7%	24.4%	8.0%	61.2%	19.3%	10.1%	29.1%	39.0%	30.8%

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AUTOMOTIVE MARKETING

The Marketing/Business Magazine For The Retail Aftermarket
JUNE 1988

THE BUYERS' GUIDE

Product Category Review

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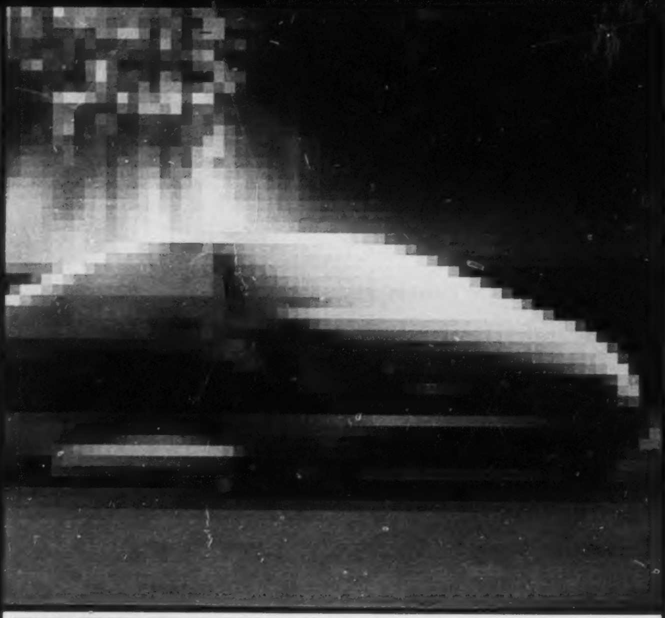

FEATURES

The Buyers' Guide 21
Product Category Review: Floor Mats 91
Product Category Review: Air Fresheners 97
Product Category Review: Tire Inflators 100
Product Category Review: Cooling System Parts 104
Product Category Review: Front End Parts 109
Product Category Review: Spark Plugs 115
Product Category Review: Security 121
Product Category Review: Batteries 127
Product Category Review: Remanufactured Parts 133
Product Category Review: Additive & Maintenance Chemicals 139
Product Category Review: Car Washing Equipment 145
Product Category Review: Suspension 151

DEPARTMENTS

Detailing The Market 5
Editorial 14
The *Automotive Marketing* Index 16
Products 156
Rep Guide 164
Ad Index 167
Reader Service Card 169

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PUBLISHER'S NOTES

INDUSTRY PROGRESS

My phone has just rung confirming the cooperation between the Pacific Automotive Show and the Automotive Parts and Accessories Association in next year's PAS show, February 7-9, Reno, NV. The alliance is a significant step toward the cooperation which this industry needs.

Meanwhile, in this issue, we bring all you need when it comes to finding suppliers. In our all-inclusive Buyers' Guide listings, we've catalogued products by category, listed suppliers alphabetically, and furnished cross reference guides to make your sourcing easy.

Following our Buyers' Guide is our Product Category Review section with market overviews of major automotive retail product lines and segments. Also, please be sure to examine the comprehensive catalog-type ad pages within the section.

Check out Detailing The Market for news of the industry's next show, July's APAA Show in Chicago, so you can make plans for both formal association and industry events, and informal but informational meetings plus the many social events.

We hope you enjoy it all. Let us hear from you! ■

Sarah Frankson,
Publisher

DETAILING THE MARKET

IN-STORE FOCUS

CANADIAN TIRE CORP. LTD.
Headquarters: POB 770, Station K, Toronto M4P2V8, Ontario, Canada
(416) 480-3000
Stores: 406 (All franchised)
Total Corp. Sales: $2,483,822,000 (Canadian Dollars)
Average SKUs: 25,000
Founded: 1923

This chain is more than automotive aftermarket stores, more than a mass merchandiser—and it has more of just about everything.

Founded in 1923 as an automotive tire store by the Billes brothers, the chain positioned itself as a strong pricing alternative by selling off-brand tires at low prices. Over the years, the business added auto parts, accessories, and stores. Today, it has 406 franchised stores.

As Canadian Tire franchised, it continued to broaden its product offering. Today, in the words of managing director/automotive marketing department Ralph Trott, Canadian Tire has a "very dominant automotive assortment with strong representation in hardware, home improvement and leisure categories. If you took a home center without the lumber, and added a Pep Boys, you might describe a typical Canadian Tire store," said Trott.

Trott estimates that about one-third of each store is devoted to automotive; another 20% is "a lot of hardware," including hand and power tools, plumbing, electrical and so forth. Housewares and leisure goods make up the remainder of the product mix. The chain resembles a typical U.S. mass merchandiser without the softgoods.

For the average Canadian consumer, a Canadian Tire outlet offers a wide range of products and services. "Over 88% of the total adult Canadian population visits one of our stores every six weeks. We offer them the broadest assortment with the most depth in the auto aftermarket in Canada."

Trott describes the automotive department as "a store within a store." Each auto department carries about 15,000 SKUs, and boasts immediate availability of about 70,000 parts, utilizing a rapid auto parts "depot" system. (Canadian Tire operates regional warehouses for slower moving auto parts as a separate division). With rare exceptions, most of the chain's auto SKUs are *private label*, the Motomaster brand,supplied by several manufacturers.

"Of our 15,000 SKUs per store, probably 12,000 are Motomaster," explained Trott. "We offer a very broad, in-depth assortment."

Motor oil is 100% private label; so are tires, which are offered at good-better-best price points. Water pumps, battery cables, batteries, oil filters and the like are also private label; just about the only national brands the chain carries are car waxes and appearance chemicals.

Approximately 30% of the chain's total sales come from the automotive department, and when you're talking about a $2 billion-plus operation, that's an impressive sales figure. Canadian Tire also operates 132 gas-only gas stations, and 60 Pit Stop rapid lubes.

The retail outlets have no standardized layouts. They feature a module merchandising system based on store size and merchandise assortment. So an average sized auto department runs about 16,000 sq. ft., while the largest of the stores has 47,000 sq. ft. of auto, and the smallest 5,000 sq. ft. The chain is largely self-service, but there is a parts desk in each store for DIYers who might have questions.

Every store has full-service bays. The chain operates some 4,000 service bays in the stores. Each store contains about ten bays, depending on the size of the individual store.

Canadian Tire employs a very heavy ad campaign, advertising on TV and in print 52 weeks a year. Seven million fliers are mailed to Canadian homes each week, and "auto is advertised in almost every case," according to Trott. All this results in steady consumer interest. "We don't have a 'strongest' selling season," said Trott. "Auto sells well all the time."

DETAIL

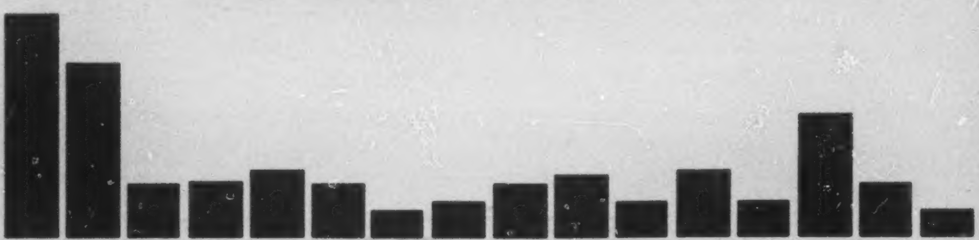
79%

of American motorists pumped their own gasoline at self-service gas stations in 1987, according to Amoco Oil Co. (Chicago) market research.

PROFILE: ANTIFREEZE/COOLANT DIYers

Drawing from the 1988 *Automotive Marketing Consumer Automotive Repair Study*, we look at DIYers who purchased and installed antifreeze/coolant during the previous 12 months.

			Age					Income				Hours Per Month Spent On DIY			
Total	Male	Female	-25	25-34	35-44	45-54	55 +	-$20K	$20-30K	$30-40K	+40K	-1 Hrs	1-5 Hrs	6-10 Hrs	11 + Hrs
100.0%	78.0%	22.0%	24.7%	29.9%	17.7%	11.3%	16.2%	24.1%	28.3%	15.2%	25.9%	13.4%	54.6%	21.0%	9.7



THE AUTOMOTIVE MARKETING INDEX

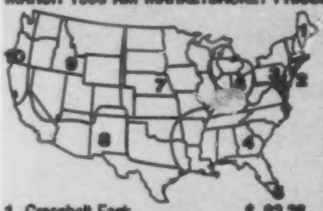
THE 1988 *AUTOMOTIVE MARKETING* MARKETBASKET

To determine the price movement, *Automotive Marketing* created a "marketbasket" of the best prices available for nine popular aftermarket products. We determine the best available price of each item in each marketing area each month to come up with an average marketbasket index. The products include a non-resistor spark plug; an oil filter; a can of 10W30 motor oil; a can of paste wax; an AM/FM/Cassette radio; a gas-charged shock absorber; a gallon of antifreeze/coolant; a pair of windshield wiper refills; and a 40-month-warranty battery. These products are usually on sale somewhere within each marketing area, which we define by their unique geographic, meteorological, and consumer characteristics.

MARCH 1988 NATIONAL AVERAGE MARKETBASKET PRICES

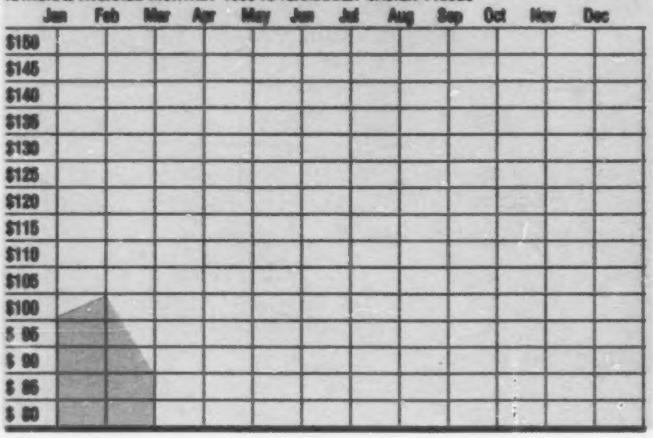
A non-resistor spark plug:	$ .88	A gas-charged shock:	$ 12.88
An oil filter:	2.22	One gallon of antifreeze:	3.29
A can of 10W30 oil:	.76	One pair of wiper refills:	2.09
A can of paste wax:	2.83	A 40-month battery:	28.22
An AM/FM/Cassette:	36.67	Total:	$ 89.45

MARCH 1988 AM MARKETBASKET PRICES BY MARKETING AREA



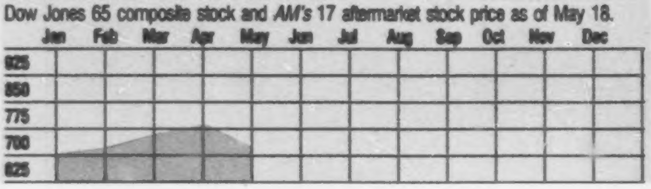
1. Greenbelt East:	$ 93.36
2. Megapolis East:	101.77
3. Smokestack East:	$ 81.40
4. Old South:	91.48
5. Caribbean South:	96.56
6. Smokestack Central:	74.71
7. Grainbelt Central:	95.35
8. Spanish West:	77.74
9. Desert West:	92.16
10. Greenbelt West:	89.92

NATIONAL AVERAGE MONTHLY 1988 AFTERMARKET BASKET PRICES

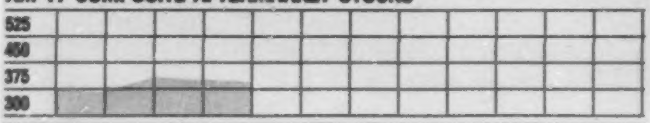


DOW JONES 65 COMPOSITE STOCKS

Dow Jones 65 composite stock and *AM's* 17 aftermarket stock price as of May 18.



AM 17 COMPOSITE AFTERMARKET STOCKS

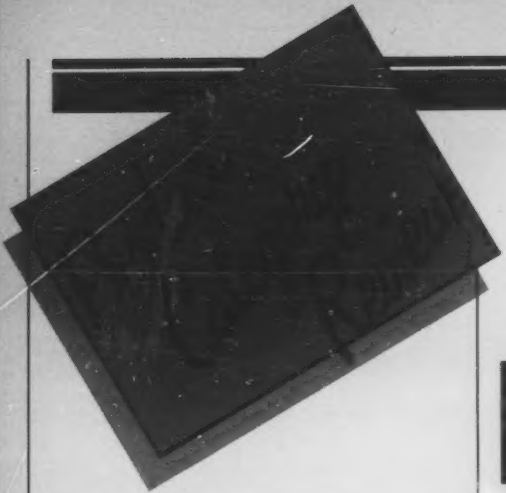


1988 AFTERMARKET STOCK PRICES

The prices below are the high and low offered and paid for aftermarket-related common stocks for the 52 week period prior to May 18. In all, stocks in five companies gained in price since last month's report, while those in 23 companies lost ground. Despite this, the overall PE ratios have dropped—good news for potential investors. *Automotive Marketing* has added a number of stocks to this listing beginning this issue.

	Exchange	52-week High	52-week Low	4/12 Quote	P-E Ratio
Action Auto	NASDAQ	9 ½	3 ¾	8	16
Allied Signal	NYSE	48 ¾	26	31 ⅛	10
Armor All	NASDAQ	27 ¼	10 ¾	18	17
Arvin	NYSE	37 ⅜	14 ¾	19 ¼	19
AutoSpa	NASDAQ	4 ⅞	⅞	1 ½	257
Big Bear	NASDAQ	26 ⅜	14 ⅞	24 ½	13
Chief Auto	NASDAQ	18	5 ⅜	8 ⅜	111
Champ Spk Plg	NYSE	16 ⅜	7 ⅞	11 ¾	24
Chevron	NYSE	65 ⅝	32	47 ⅞	13
Chrysler	NYSE	48	19 ⅝	22 ½	4
Coachman	NYSE	12 ¾	6 ⅝	9 ¾	488
Cooper	NYSE	74 ½	32	56 ⅜	16
Dana Corp.	NYSE	54 ¼	27 ½	35 ⅞	10
Duralon	NASDAQ	14 ¼	7 ½	13 ⅛	14
Echlin	NYSE	19 ⅝	10 ¾	16 ⅛	19
Equion	NASDAQ	8 ⅜	4	6 ½	37
Facet	NYSE	32	10 ½	31 ¾	28
Ford	NYSE	56 ¼	30	47 ¼	5
GM	NYSE	94 ⅛	50	75	7
Genuine Parts	NYSE	44 ⅜	27 ¼	35 ¾	18
Grand Auto	AMEX	19 ½	7 ⅜	15 ⅝	–
JP Industries	NYSE	24 ⅞	12	16 ½	11
Lancaster Colony	NASDAQ	26	15 ¼	16 ¾	12
Lear Siegler	NYSE	7 ⅜	1 ⅛	2 ¼	–
Masco	NYSE	39 ¼	18 ¾	25 ⅛	14
Meyer, Fred	NASDAQ	17 ⅞	9 ½	13 ⅝	10
Mobil	NYSE	55	32	45 ¼	12
Modine	NASDAQ	22 ¾	11 ¾	18 ½	11
Mr. Gasket	NASDAQ	7 ¾	5	5 ⅜	21
PACCAR	NASDAQ	78 ¼	43 ½	69 ½	10
Prir Hannifin	NYSE	49	24 ½	34 ½	15
Pennzoil	NYSE	88	38 ½	73	96
Pep Boys	NYSE	18 ⅞	9 ½	10 ⅝	17
Quaker State	NYSE	28 ½	12 ⅞	21 ⅛	–
Rite Aid	NYSE	46 ¼	28 ½	33 ⅝	15
Sears	NYSE	59 ½	29 ¾	33 ½	8
Snap On	NYSE	46 ½	24 ¼	38 ⅜	17
Stan Mtr Prod	NYSE	21	11 ⅛	12 ⅜	11
Sheego	NYSE	5 ¾	2 ½	5	–
Superior Ind	AMEX	19 ⅜	9	15 ¼	9
TBC Corp.	NASDAQ	15 ¼	3 ¾	14 ¾	12
TRW	NYSE	70	37	44 ½	10
Tenneco	NYSE	62 ½	36 ⅛	41 ⅞	–
Trak Auto	NASDAQ	19	7	11	14
Triad Systems	NASDAQ	14 ¾	7 ½	10 ⅞	14
Walbro	NASDAQ	32 ¾	16 ¾	29	19
Witco	NYSE	43 ¼	26 ⅝	34 ¼	10
Wynn	NYSE	30 ⅜	14 ½	19 ⅞	47

(Circle 13 on Product Information Card) →



FLOOR MATS

Floor mats are favorite products of consumers and retailers alike.

Floor mats are often the first aftermarket product a new car buyer purchases. And almost every car owner replaces the mats at some point in the life of his car, often more than once. Floor mats are low cost, simple to install, and yet have obvious benefits to the customer. Color is the key to selling these products.

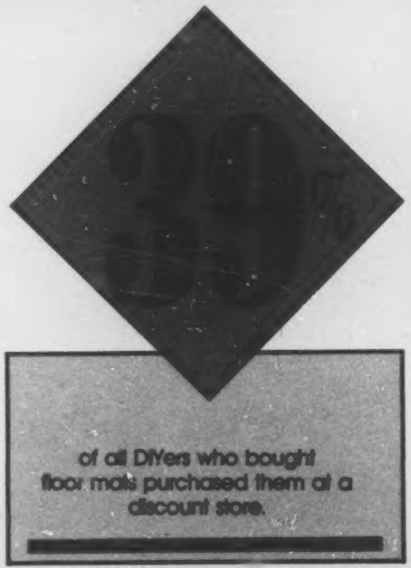
The original carpeting in a car can quickly become so dirty that it is impossible to clean. A set of floor mats can either protect the carpet from wear and dirt when new, or hide any existing damage. But floor mats need to be replaced when they become old, dirty, and worn. Besides, a quick change of floor mats is an inexpensive way to spruce up the interior of any car.

Source: *AM Consumer Automotive Repair Study*

Floor Mat Variety

Floor mats are no longer plain rubber or plastic. Since they are a replacement for original carpeting, car owners are moving away from the plain rubber types of floor mats. Instead, they are purchasing carpeted varieties which are plush pieces of carpeting, in rich colors, backed with durable, non-skid materials.

Floor mats reflect the best of today's car design. Companies are designing floor mats towards rounder, more aerodynamic shapes. New molding processes make for rounder shapes, and, as cars are getting smaller and smaller, lighter mat col-



of all DIYers who bought floor mats purchased them at a discount store.

Source: *AM Consumer Automotive Repair Study*

FLOOR MATS

ors will make these smaller cars seem more spacious.

Popular Colors

Consumers want mats to complement their cars' interior. A variety of colors for the customer to choose from is important for better sales. One sure way to inspire an impulsive floor mat purchase is to display "the right color" for your customer's car.

Recently, the most popular color for full-size and intermediate cars has been medium gray, while red has been the most popular for compact cars. But color experts say that automotive colors are moving away from "natural" colors look toward a fresher, richer look. The new popular colors include orange, bronze, and maroon. But while customer preference will start to move away from the now-popular medium grays, they will remain a staple color group.

According to DuPont Automotive Development Center, the leading supplier of automotive topcoat finishes in the U.S., brown, a color that wasn't even listed among the 12 most recent popular car colors, will be among the hottest colors in the near future. American car buyers will show a preference for bolder browns, more vivid reds, and more fully saturated blues, eventually moving away from the "wintry pastels" which have been popular recently.

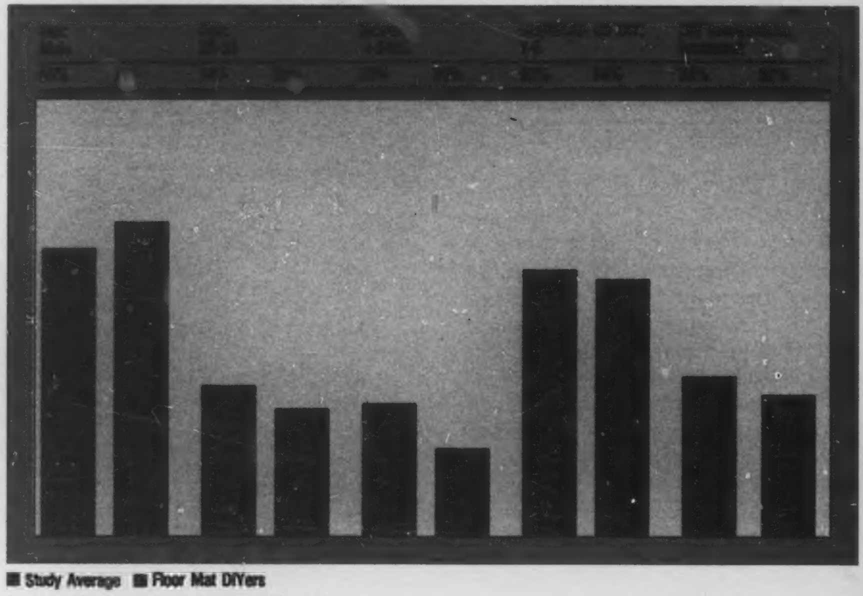
Owners of bigger, luxury cars will continue to look at richer, darker colors, such as burgundy and metallic grays for their cars. Young car owners will be looking towards brighter colors, including electric blue and raspberry red. "The consumer will find model colors more vivid and more exciting than current offerings, concurrent with new body shapes and styling trends," a DuPont Automotive Development Center report said. "And colors for sportier cars will be more aggressive."

Remember, floor mat colors follow automotive colors. So, it's now time to think about stocking mats in these predicted colors in order to squeeze the most from your mat sales.

of all DIYers who bought floor mats bought the brand they did because of its low price.

Source: *AM Consumer Automotive Repair Study*

Comparing the largest percentages of DIYers in any given category who bought floor mats with DIYers as a whole in the same category.



▨ Study Average ■ Floor Mat DIYers

Source: *AM Consumer Automotive Repair Study*

Floor Mat Display

Your display can be the key to floor mat sales. Today's floor mats deserve to be displayed. If they are not organized and shown as they should be, it could be a potential loss of some healthy profits.

Floor mats are also a product that auto parts stores sell to occasional DIYers or to those who would not consider themselves DIYers at all. Being aware of potential trends in color will make a big difference in sales. Having the most popular colors of floor mats in the plush carpeting style in stock and displaying them properly is the best thing you can do to increase sales. Remember, too, that floor mats are bought to fit the proper type of car by size, such as standard or intermediate. Therefore, to determine a good SKU mix, know the car population mix in your market.

Floor mats are a great product to use to attract other business. They help bring non-DIYers into your store. While there, they will pick up other items for their cars or trucks. ■

(Circle 27 on Product Information Card) →

Product Category Review

AIR FRESHENERS

When it comes to impulse products, you can't beat air fresheners.

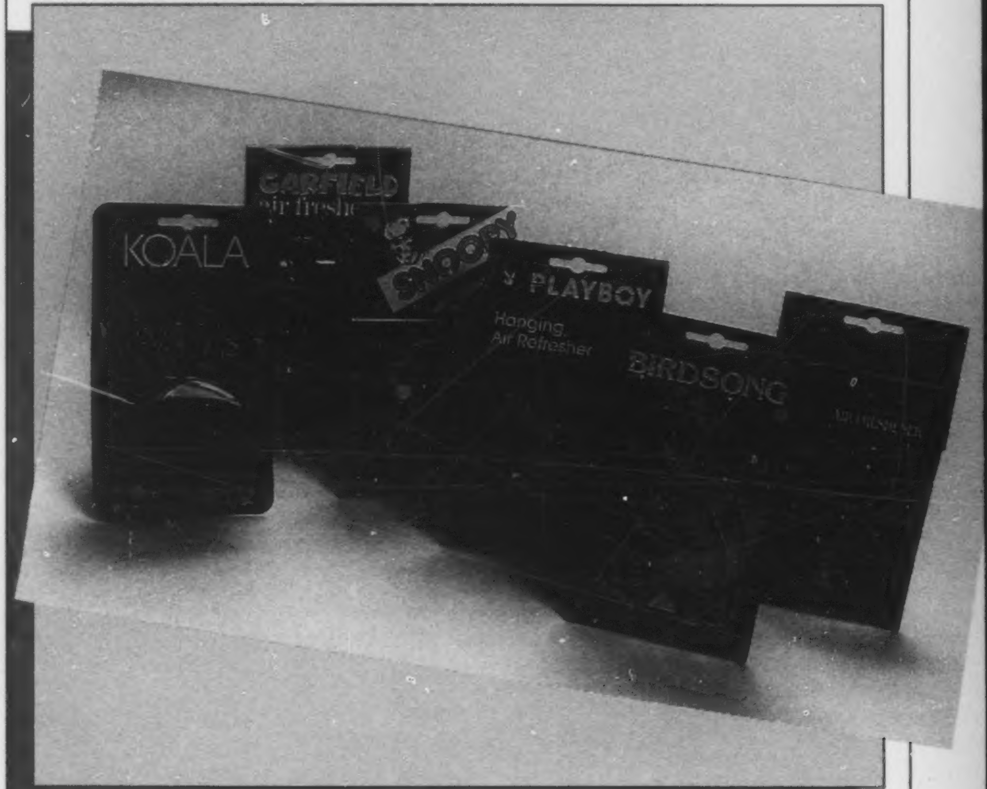
Air fresheners represent the aftermarket's number one impulse buy. Hung on POP merchandisers near the cash registers, or loaded into free-standing displays at the ends of gondolas, these little products represent big bucks.

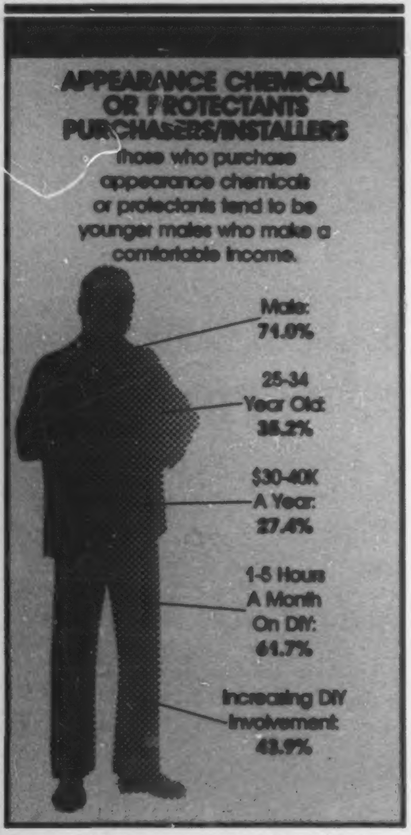
Of the three types of air fresheners, the paper cut-outs that are impregnated with fragrance are most popular. There are also fast-acting aerosols that both mask offensive smells and work to kill the bacteria that cause them and capsule or droplet types which contain concentrated doses of fragrance formulas.

It is the first kind, hung from the rear view mirror, that is the most familiar. These little paper cut-outs do more than make the car smell good, they allow the owner to express himself. Outdoors he-man type? How about a hunting or fishing scene? Nature lover? How about a natural fruit scent and shape? Or, a favorite syndicated cartoon character?

There is an air freshener made to convey whatever your customers want to express. Ever expanding air freshener lines include syndicated characters, movie and TV heroes, and familiar licensed images like the Playboy rabbit head.

The relatively short life of the scent of the fresheners (by the way, "baby powder fresh" has replaced strawberry as the nation's favorite air freshener scent), and their low price tag, means that they are changed as often as your customers' fancies dictate. And that means many return trips to your store. These small impulse items are worth their weight in gold when you total up your bottom line. ■





Source: *AM Consumer Automotive Repair Study*

48%

of all DIYers who bought and installed appearance chemicals or protectants purchased them at an auto parts store.

Source: *AM Consumer Automotive Repair Study*

Product Category Review

TIRE INFLATORS

Tire inflators can be your customers' favorite product.

SNAP
super fix a flat
SNAP
fix a flat
INFLATES AND SEALS TIRES IN SECONDS

Tire inflators are impulse purchase products that turn into compulsively purchased products for any of your customers who have ever used them on a dark rainy night when their tire went flat. This product is a safety item as well as a convenience item.

Because it is a safety *and* convenience item, tire inflators appeal to a broad range of your customers—from light to heavy DIYers, men and women, and all income levels. The 1988 *Automotive Marketing Consumer Automotive Repair Study* (CARS) found that 25% of the people we spoke to who had purchased tire inflator during the 12 months prior to the study were female. Some 32% were between 25 and 34-years old, 51% spent between one and five hours each month on DIY work, 36% were responsible for two vehicles, and 53% said their level of DIY involvement would increase.

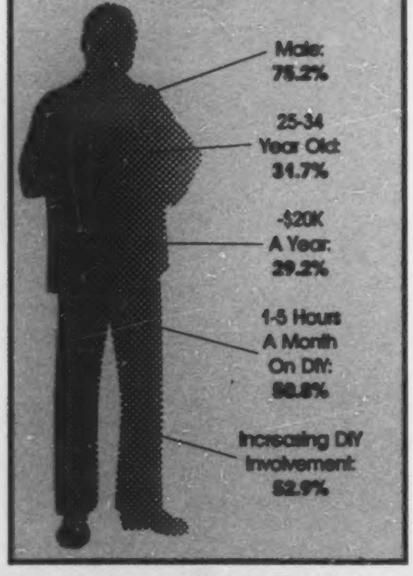
Tire inflator DIYers bought the product at automotive stores (43%) and discount stores (21%). They bought it at what they considered to be a convenient location (55%) where they thought they got the best price (26%). Sixty-one percent bought a nationally advertised brand. Some 42% said they noticed store media advertising while 25% noticed shelf or floor displays of the product.

And 50% of tire inflator buyers planned their purchase of the product. These were probably people who learned just how handy it is to have a can on hand in their trunks in case of emergencies.

To sell more tire inflator, keep it where you customers can see it and remind them that it's a safety and convenience item. ■

TIRE INFLATORS PURCHASERS/INSTALLERS

Those who purchase tire inflators tend to be younger males who are increasing their DIY activities.



Source: *AM Consumer Automotive Repair Study*

43%

of all DIYers who bought and installed tire inflators purchased them at an auto parts store.

Source: *AM Consumer Automotive Repair Study*

Product Category Review

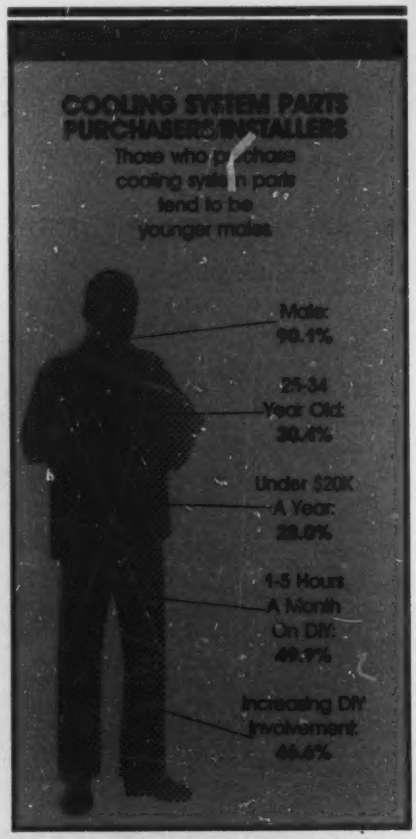
COOLING SYSTEM PARTS

Flex Fan
Engine Cooling Fan
Engine Oil Cooler
Transmission Oil Cooler
Heavy Duty Fan Clutch

Selling cooling system parts is a good service to your customers.

DIYers with a temperature gauge on their dashboard know that the temperature of the engine runs around 180-190°F. But not many know that this is only the temperature of the coolant running through the radiator. In newer engines, combustion temperatures inside can reach 5,000°F.

Only about a third of the heat is transformed into energy to power the car. The remaining heat must be dissipated. About half of the excess heat is carried off by the exhaust system, and the cooling system carries away the rest.



Source: *AM Consumer Automotive Repair Study*

Helping The Cooling System

The cooling system has a substantial job to do and when it fails, overheating is the result. Overheating problems can be caused by many, many reasons. Weak antifreeze/coolant, an incorrect dilution of antifreeze/coolant, late ignition timing, defective coolant recovery system, defective or broken thermostat, cooling system clog or leak, loss of pressure, air in the system, debris in the radiator, defective radiator cap, too great a load being pulled, clogged fins on an engine fan, leaking core plug, cracked block or cylinder head, faulty water pump or [illegible] control valve, dragging brak[illegible]ow idle speed, too lean air/fuel mixture, misadjusted damper door, loose or broken fan belts, and poor hoses are just some of the reasons.

77%

of all DIYers who bought and installed cooling system parts purchased them at an auto parts store.

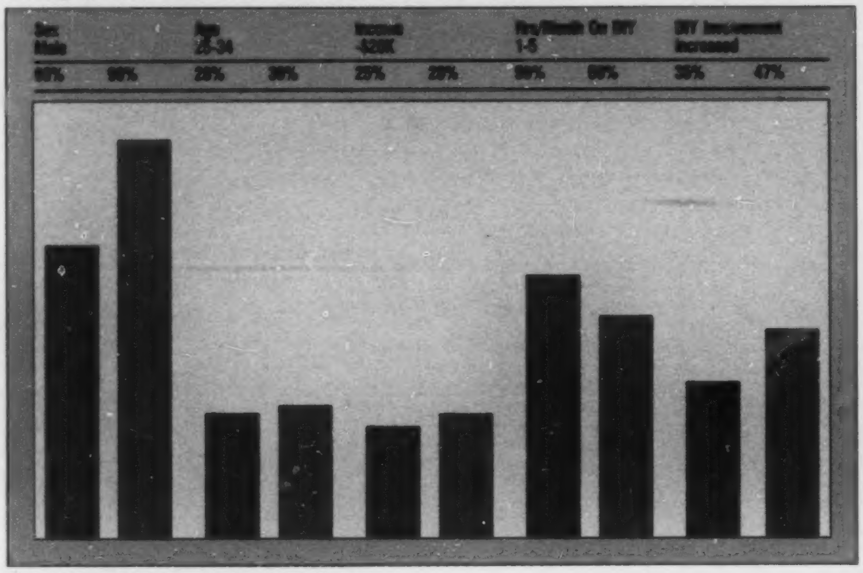
Source: *AM Consumer Automotive Repair Study*

Product Category Review

COOLING SYSTEM PARTS

A DIYer can help the cooling system do its job by cooling any fluid that runs through the engine. He can start by using products to cool the coolant, transmission fluid, and engine oil. He can move on to make sure electric fans, oil coolers, fan belts, hoses, water pumps, radiators, and thermostats—all of which are parts of the cooling system— are operating at maximum efficiency.

Comparing the largest percentages of DIYers in any given category who bought and installed cooling system parts with DIYers as a whole in the same category.



■ Study Average ■ Cooling System Parts DIYers

Source: *AM Consumer Automotive Repair Study*

Things To Do

Checking fluids is the first step in cooling system maintenance. The antifreeze/coolant is the first fluid to check. DIYers should make sure it's fresh and undiluted. A 50/50 mixture of antifreeze/coolant and water is recommended for all but the coldest areas. It is a mistake to add too much antifreeze/coolant. A mixture of more than 68% antifreeze/coolant actually lowers the boiling point and raises the freezing point.

But other engine fluids are just as important. Motor oil and transmission fluid are keys to car's cooling systems. Oil temperatures can be surprisingly high. On a hot day, oil pan temperatures can reach 260°F, bearings can reach 335°F. Bearings can begin to burn out, and this heat will quickly break down the oil and damage the engine. An add-on oil cooler can lower the oil temperature and keep it lower.

There are also transmission fluid coolers for cars with automatic transmissions. The transmission cooler is generally a separate cooling system that brings transmission fluid out of the transmission and passes it through a small, separate radiator where the heat is passed out into the external air. It is mounted in front of the car's radiator. Lines bring the fluid to and from the transmission to it. Once again, a transmission cooler is useful when the car is used to pull heavy loads or special stress is placed on the transmission.

Ninety percent of all transmission failures are caused by heat. A transmission's heat exchange with the radiator may not be sufficient for the car. An add-on cooler will keep the transmission fluid cooler which is good for the transmission.

Once the fluids are right, the rest of the system remains to be checked. Some checks are easy tasks. A simple inspection can show if a hose is flaking or cracked, too hard or too soft. Belts should be checked for stiffness, looseness, or cracking when the cooling system components are checked. But other jobs and problems may require professional help.

Add-On Fans

There are other things a DIYer can do to help out the cooling system, like adding an electric fan to an older car. Electric fans are becoming standard equipment on newer cars. Most suppliers now offer electric fans as either a replacement or an add-on item. These fans run off a thermostat, but they only run when the coolant temperatures reach a certain level. Often they run after the engine is shut off. The engine does not cool down as soon as it is shut off on a hot day, but air temperature, alone, is enough to cool down the engine on a cold day.

According to the 1988 *Automotive Marketing Consumer Automotive Repair Study (CARS)*, 31% of DIYers bought and installed a cooling system part. And most of these consumers planned their cooling system part purchase. You can increase that number by educating consumers on the possibilities for corrective action and preventive maintenance for the cooling system. ■

27%

of all DIYers who bought
and installed
cooling system parts bought
the brand they did because
it was the only one available.

Source: *AM Consumer Automotive Repair Study*

Product Category Review

FRONT END PARTS

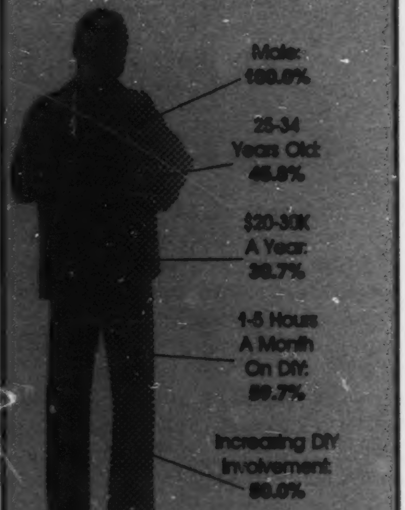
The front end is changing, but traditional parts still dominate sales.

Just as front-wheel-drive has led to the use and growth of strut sales, FWD cars also have changed front end parts.

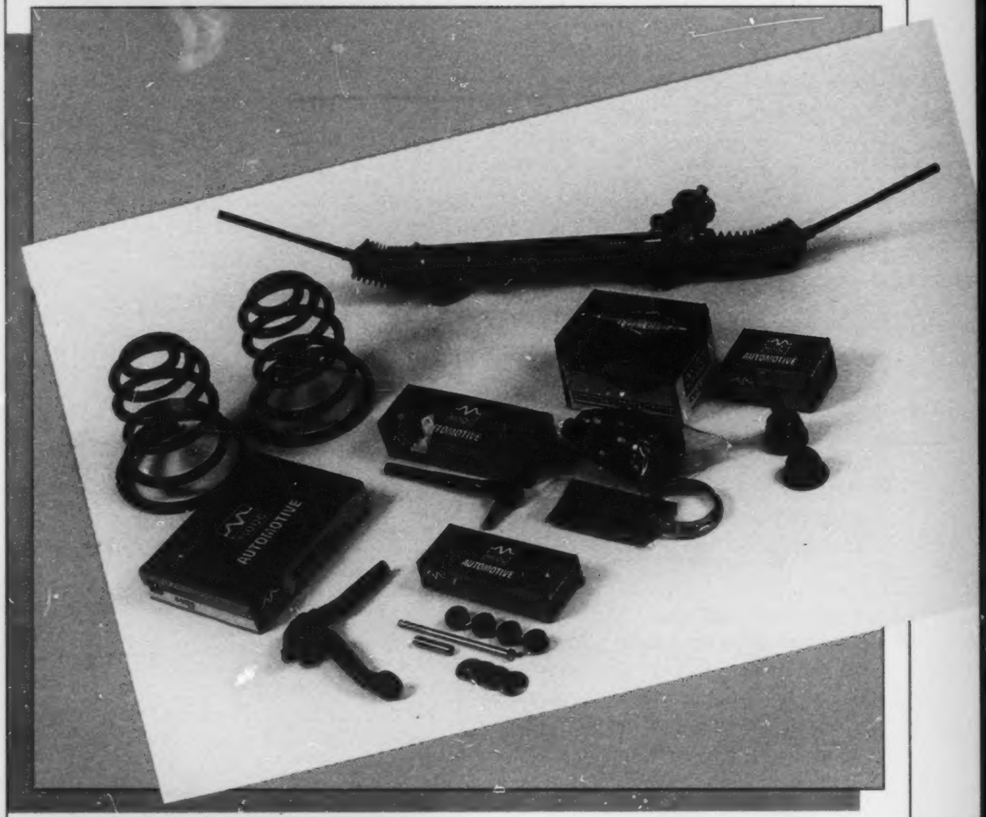
This is not to say there's not a good market for such items as tie rods, ball joints, and the various components of a conventional steering system. The great majority of cars on the road still use these parts and most can be replaced by a DIYer who's willing to get a bit dirty. The Lindsey-Kaufman Co. estimated the sales of front end suspension/steering parts (not including struts and shocks) at $1.245 billion at retail in 1987. Add in sales of U-joints and CV-joints and the front end market is about $1.8 billion.

CV JOINTS PURCHASERS/INSTALLERS

Those who purchase and install CV joints are younger males.



Source: *AM Consumer Automotive Repair Study*



A Changing Market

However, the front end market is changing rapidly toward new parts. The most obvious change on front-wheel-drive cars is rack-and-pinion steering.

Both rack-and-pinion steering and MacPherson struts take up less room and weigh less than conventional systems. A rack-and-pinion system, for example, eliminates such parts as idler arms, pitman arms, center links, inner tie rod ends, and gear boxes, all used in conventional steering systems, and replaces them with one assembly. The savings in weight can be as high as 73%.

Rack-and-pinion steering has been used on many American cars since the late 1970s. About 40-45 million cars on the road are equipped with the units. In-

87%

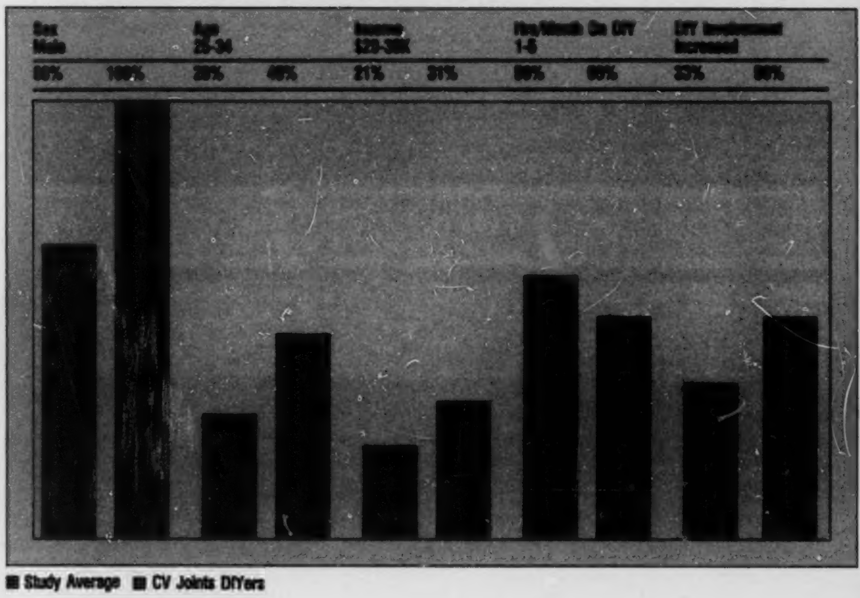
of all DIYers who bought and installed CV joints purchased them at an auto parts store.

Source: *AM Consumer Automotive Repair Study*

Product Category Review

FRONT END PARTS

Comparing the largest percentages of DIYers in any given category who bought and installed CV joints with DIYers as a whole in the same category.



■ Study Average ■ CV Joints DIYers

dustry forecasts say 99% of cars will eventually be equipped with rack-and-pinion units.

The aftermarket is just starting to feel the impact of rack-and-pinion steering parts since many of these systems have been on the road since the late 1970s and now need replacement. Industry people peg sales at about 200,000 units. Lindsey-Kaufman expects a growth rate of about 5.6% a year.

Unfortunately, it's almost unanimous that replacement of rack-and-pinion units will be a purely professional affair except for the very best, most dedicated DIYers with tools, time, and experience. Once again, retailers with service bays who can do rack-and-pinion replacement will profit from increasing sales.

CV Joints

Along with rack-and-pinion steering, front wheel drive cars use CV-joints that serve the same function as a universal joint on cars with rear-wheel drive. Sales of CV-joints have boomed in recent years. Lindsey-Kaufman puts sales at about $335 million.

Once again, manufacturers expect few DIY sales of CV-joints. But DIYers should be told to watch the boot that serves to keep grease in and water and other road trash out. The lifespan of a CV-joint with a broken or cracked boot is about eight hours. Replacing a boot costs perhaps $20 while a new CV-joint will be well over $100.

35%

of all DIYers who bought and installed CV joints bought the brand they did because of its low price.

Source: *AM Consumer Automotive Repair Study*

DIY Oriented Parts

While rack-and-pinion and CV-joint sales will probably not be a large DIY item, there are other front end parts that will.

One such item is a torque strut designed to replace the engine restraining straps used on transverse engines. The torque strut looks like a small shock absorber. It serves to limit the movements of a front wheel drive engine, preventing excessive vibration that will wear out the motor mounts.

Manufacturers claim the torque strut will last three times as long as the engine restraining strap used by the OE makers. It's a simple bolt-on task for the DIYer.

There are also coil springs. As much as 70% of the vehicle weight in FWD cars rides on the front wheels. The central point of everything in the front end is the coil spring. If it sags, it's impossible to align the car correctly, so excessive tire wear and poor handling will result. Although they carry less weight in front-wheel-drive cars, the rear springs are just as important. This is particularly true if the vehicle is used to tow a trailer or carries heavy loads.

While front wheel coil spring replacement requires a lot of equipment, rear wheel replacement is a simple DIY task. A strut or a shock should never be sold without checking the springs.

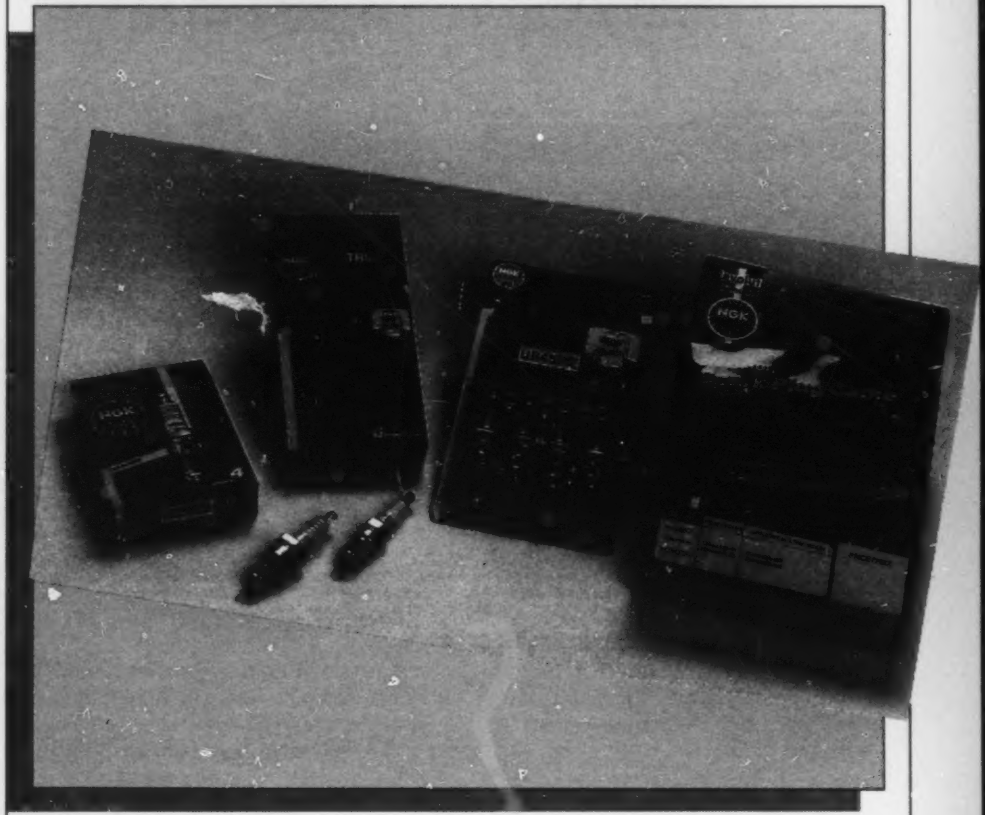
The Future

With all the talk and interest in new products for FWD vehicles, it's easy to forget that conventional front end parts are still the dominant side of the market. There are well over 100 million cars with conventional steering and suspension systems left on the road. And quite a few of these cars are older cars, the kind that will need idler arms, ball joints, U-joints, and all the other conventional front end parts retailers have been selling for years.

A change is coming, but it will be five to ten years before it's no longer a change but standard. ■

Product Category Review

SPARK PLUGS



Replacing spark plugs is still a favorite DIY task. But it will take an effort on your part to keep it that way.

Spark plugs are the biggest players on the tune-up products team. Other members of that team include spark plug wires, cables, distributor parts, and modules. But none of the other items outshines spark plugs when it comes to generating consumer and retailer interest.

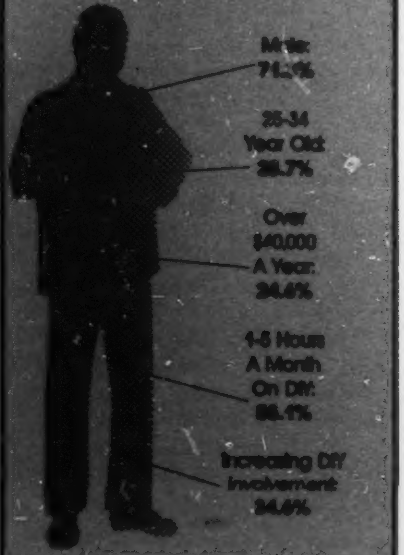
Who Buys Them?

Even today—with the concern that new car technology may out-pace the DIYer's desire to DIY—replacing spark plugs is still a favorite DIY task. The 1988 *Automotive Marketing Consumer Automotive Repair Study (CARS)* found that 36% of the study participants had installed a tune-up product during the 12 months prior to the study. The 1987 CARS found that 56% of the study participants had specifically purchased spark plugs. Seventy-one percent of those spark plug DIYers were male and 41% were under 35 years-old. Some 24% had household incomes under $20,000 annually, 19% had household incomes between $20,000 and $30,000 annually, and 25% had household incomes over $40,000 annually.

Of these spark plug DIYers, 77% said they did less than five hours of DIY work each month and 23% said they did more than five hours of DIY work each month. At least 25% of them were responsible for three or more vehicles, 37% were respon-

SPARK PLUG PURCHASERS

Those who purchase spark plugs tend to be male baby boomers who make a comfortable income.



Source: AM Consumer Automotive Repair Study

64%

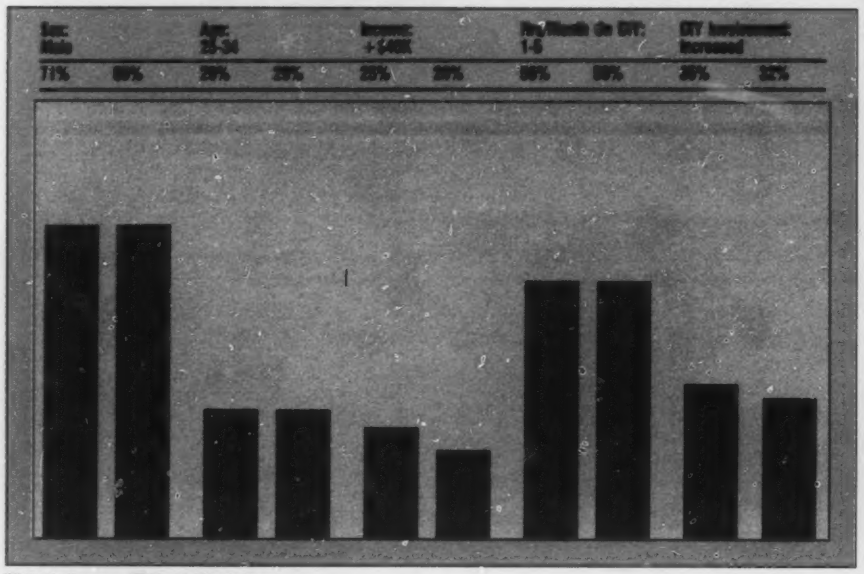
of all DIYers who bought spark plugs purchased them at an auto parts store.

Source: AM Consumer Automotive Repair Study

Product Category Review

SPARK PLUGS

Comparing the largest percentages of DIYers in any given category who bought spark plugs with DIYers as a whole in the same category.



Source: *AM Consumer Automotive Repair Study*

sible for two vehicles, and 38% were responsible for one vehicle.

Why Do They Buy Them?

Of the tune-up DIYers in our 1988 CARS, 65% said they did their tune-up themselves to save money, 16% did it themselves to make sure the job was done right, and 13% said they did it for personal satisfaction and enjoyment. A full 90% said they were likely to do the job again.

Where Do They Buy Them?

Automotive stores were the preferred place of purchase for 64% of spark plug DIYers. Discount stores were a distant second with 12%. Automotive stores are also the favorite place of purchase for 82% of DIYers buying other tune-up products, too. (About 13% went to a discount store for their tune-up product purchases.)

Tune-up product DIYers looked for a good price, a convenient location, nationally advertised brands, and quality products when they made their tune-up purchase.

22%

of all DIYers who bought spark plugs bought the brand they did because of its quality.

Source: *AM Consumer Automotive Repair Study*

To meet those desires, most successful stores stock an average of three brands of spark plugs. The typical selection includes two national brands for domestic vehicles and at least one brand for import vehicles. Offering DIYers national brands is important because many DIYers seek out the quality of a specific name brand. They usually have a brand in mind when they come into the store.

Keeping Them Buying

The biggest problem facing spark plug retailers is how to keep those DIYers buying spark plugs; particularly DIYers who own vehicles with foreign name plates and newer vehicles with electronic ignitions. Both of those types of DIYers represent a challenge to retailers because both may be shy when it comes to tuning-up their cars.

But, spark plug manufacturers are making the job of educating DIYers who own foreign name plate cars easier with their own advertising efforts. In fact, the rising sales of imports makes plugs for imports a solid sales growth area for many retailers. Imports generally use a spark plug branded with a non-vehicle name. These plugs are seen as OE, and many import owners like to stick with OE plugs. One brand may be all you need to carry to meet those needs. One import plug manufacturer claims that its plugs are chosen as OE for about 40 foreign name plates.

The spark plug makers have also done a good job reaching the owners of vehicle with electronic ignitions. The suppliers have reminded DIYers about the need for preventive maintenance and the possible inadequacy of some OE suggested change intervals for certain kinds of driving and vehicle use. You can help by reminding your DIY customers that no matter what kind of ignition system is in their vehicles, spark plugs remain an easy DIY replacement task.

Suppliers also do a good job with national consumer advertising, eye-catching retail packaging and improved cataloging. They offer loads of promotional material designed to move spark plugs off your shelves. All you have to do is take advantage of it. ■

Product Category Review

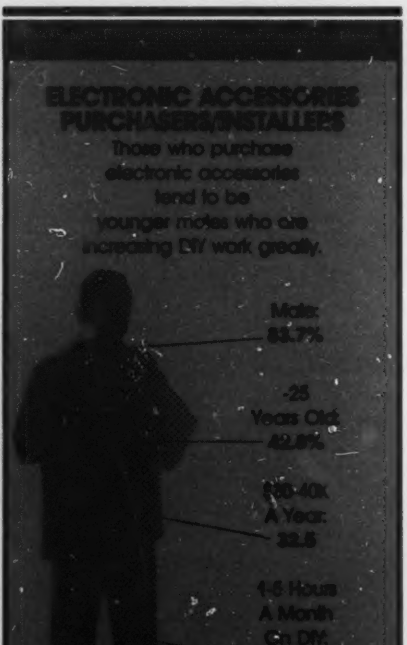
SECURITY

More auto thefts mean more security products sales for retailers.

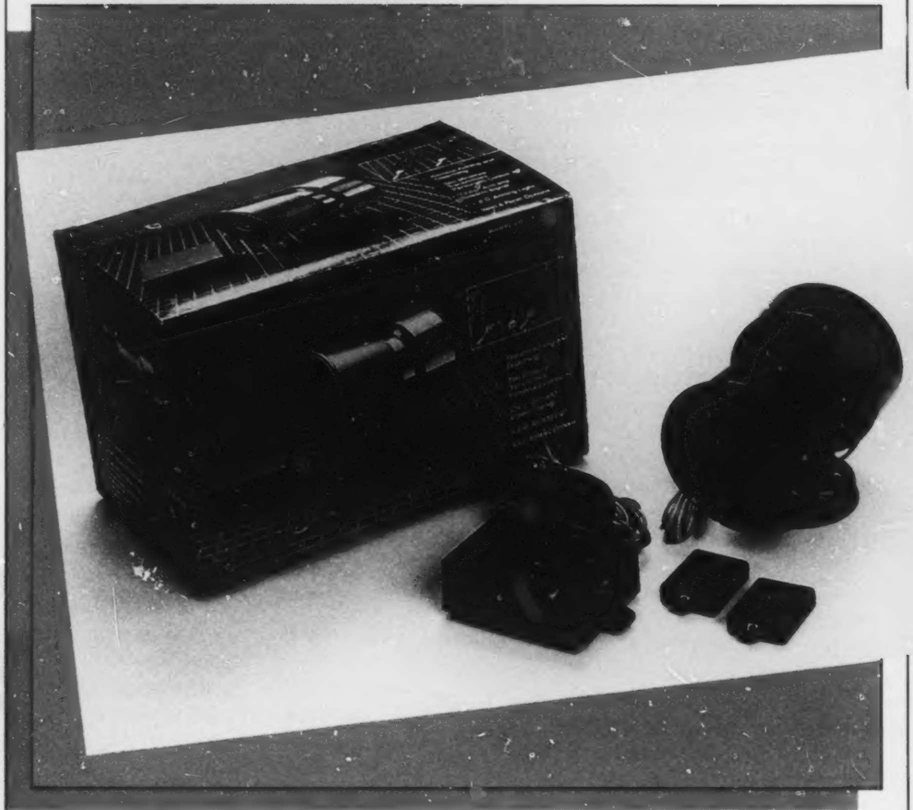
Automotive security products are now sold in rural areas, small towns, and medium-sized cities as well as the traditional big city metropolitan areas. That's because auto theft is increasing all over and is, in fact, increasing at an alarming rate in areas once thought immune to such crime.

For example, the U.S. Department of Justice reports that nation-wide vehicle theft has risen an average of 11% annually in recent years. But that figure jumps to 16% for the rural deep South. In Minneapolis, auto theft rose more than50% between 1984 and 1987 and it rose more than 100% during the same period in Baton Rouge, LA. In the meantime, the auto theft rate in big cities like New York and Detroit has fallen between 11% and 13% annually during the same period.

So while the numbers are not exactly good news for the people living in the affected areas, they are good news for retailers who sell automotive security products.



Source: *AM Consumer Automotive Repair Study*



Who Sells Security?

More retailers than ever before are selling a wide range of automotive security products. In 1987, 60% of the *Automotive Marketing* Retail Panel members said they sold automotive security products in their stores. That was an increase of 17% over the 43% who said they sold security products the year before. Another 34% of

20%

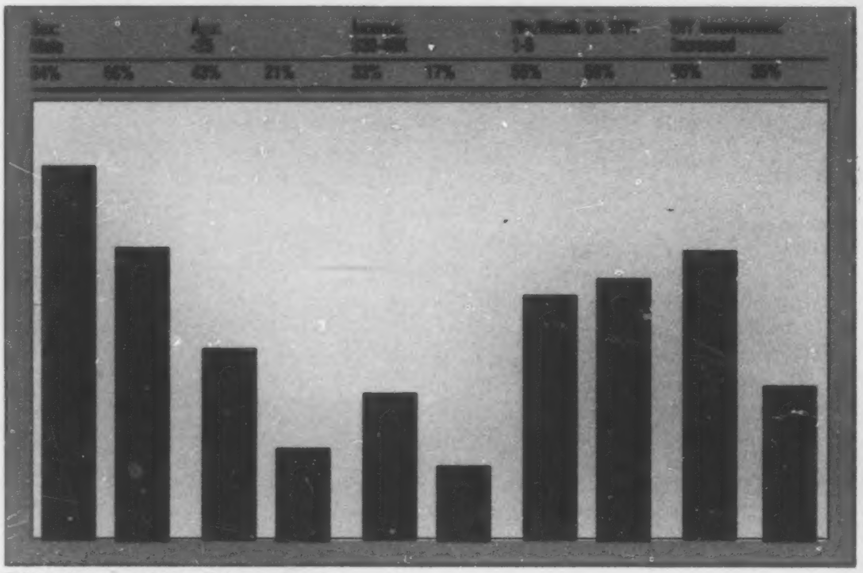
of all DIYers who bought and installed electronic accessories purchased them at an auto parts store.

Source: *AM Consumer Automotive Repair Study*

Product Category Review

SECURITY

Comparing the largest percentages of DIYers in any given category who bought and installed electronic accessories with DIYers as a whole in the same category.



■ Study Average ■ Electronic Accessory DIYers
Source: *AM Consumer Automotive Repair Study*

the Retail Panel members said they felt their automotive security sales would increase because theft was up in their area; 63% of the Retail Panel members said they felt sales would hold steady.

What Do They Sell?

There are two basic types of automotive security products. Smart retailers sell both types to get the most sales.

The first type—and the most common—is an alarm system. Most of these systems serve two purposes. They call attention to—and scare away—potential thieves with blaring horns, sirens, and flashing lights. And, by the same means, the alarm systems let the vehicle owners know that someone is tampering with their vehicles. The more sophisticated systems let owners who are out of horn range know of a potential theft through a paging device. Some of these alarm systems use the vehicle's own OE horn, while others include a different horn that sounds more like an alarm.

The second type of device creates some sort of physical impediment to theft by stopping the car from moving. In general, these devices cut off the ignition system so the vehicle can't be started.

The best security systems include both alarms and impediments. The idea with these is to get the owner's attention and slow down the thief at the same time. There are also chains, locks, and bars that deter thieves.

Retailers sell a variety of these automotive security products. Again, according to *Automotive Marketing* Retail Panel members, all of them—100%—sell locking gas caps, 76% sell mechanical devices such as chains, padlocks, and bars; 66% sell locking lug nuts, 54% sell audible alarms, 29% sell remote activated alarms, 27% sell passive alarms, 27% sell antitheft stickers and decals, 20% sell removable and/or locking steering wheels, and 10% sell identification number/VIN etching kits.

50%

of all DIYers who bought and installed electronic accessories bought the brand they did because of their low price.

Source: *AM Consumer Automotive Repair Study*

How Do They Sell It?

Retailers do not make money by selling only one type of security product, according to automotive security product manufacturers. Retailers make the most money by offering a whole range of security products in a well-merchandised automotive security department. That "department" may only be four running feet of a gondola, or it may be a whole aisle. The idea is to be the "source" for automotive security products in your marketing area, and that is done be having a variety of products at various price points. A full line lets the retailer sell a customer who only intended to buy a "simple security device" up to to a full-featured alarm system.

Help From The Manufacturers

Becoming the "source" for automotive security products in your marketing area is a job made easier by the security product manufacturers. The manufacturers are working hard to require states to permit insurance discounts on theft policies for vehicles that have security systems. And the manufacturers are using lots of print and television advertising to generate consumer interest in automotive security and to direct those customers to your store. The products themselves come in retail-oriented, self-selling packages with detailed instructions for easy DIY installation. So, there is no reason not to clean up selling automotive security products.■

Product Category Review

BATTERIES

Smart retailers stock batteries to serve fast-growing market applications.

Over the past ten years, the number of automotive batteries sold per year has grown very slowly, rising from about 55 million in the late 1970s to almost 60 million in the late 1980s, according to the Battery Council International (BCI), Chicago. In 1987, just over 60 million were sold for the second straight year.

A Changing Market

The way batteries are sold has changed. Between 1975 and 1985, the big winners were the battery specialists who service gas stations and jobber stores, and the auto chain stores. Sales through department stores fell off slightly, while sales through car dealers are off more.

There has also been a move toward consolidation at the manufacturer level. From about ten major suppliers in the early 1970s, the aftermarket now has perhaps five. The intense competition among fewer companies for a reasonably stable market means low prices and large promotions at the retail level.

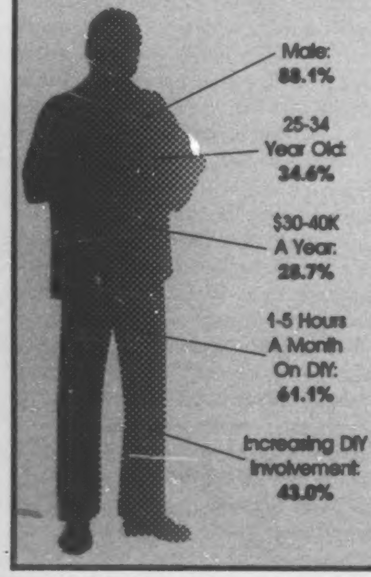
Factors Of Change

Although no one expects a huge rise in sales of batteries, there are some factors that can help the battery market. Several factors influence the sales of batteries:

- The number of cars on the road
- Total miles driven
- Engine changes
- Accessory loads

BATTERY PURCHASERS/INSTALLERS

Those who purchase batteries tend to be younger males who make a comfortable income.



Source: *AM Consumer Automotive Repair Study*

42%

of all DIYers who bought and installed batteries purchased them at an auto parts store.

Source: *AM Consumer Automotive Repair Study*

Product Category Review

BATTERIES

- Battery design trends.

In addition, battery sellers have a market in selling non-automotive batteries for use in boats, snowmobiles, lawn tractors, and other similar applications. Smart retailers stock batteries to serve these fast growing market applications.

Positive Automotive Factors

But signs are good in automotive too. The more cars are on the road. Also, the number of cars in the prime replacement years is higher following several years of decline. The lower price of fuel has led to a steady increase in miles driven.

Vehicle design trends have had a positive effect on battery sales. Although smaller engines require smaller batteries, owners have discovered that four-cylinder cars require just as much cranking power as larger cars.

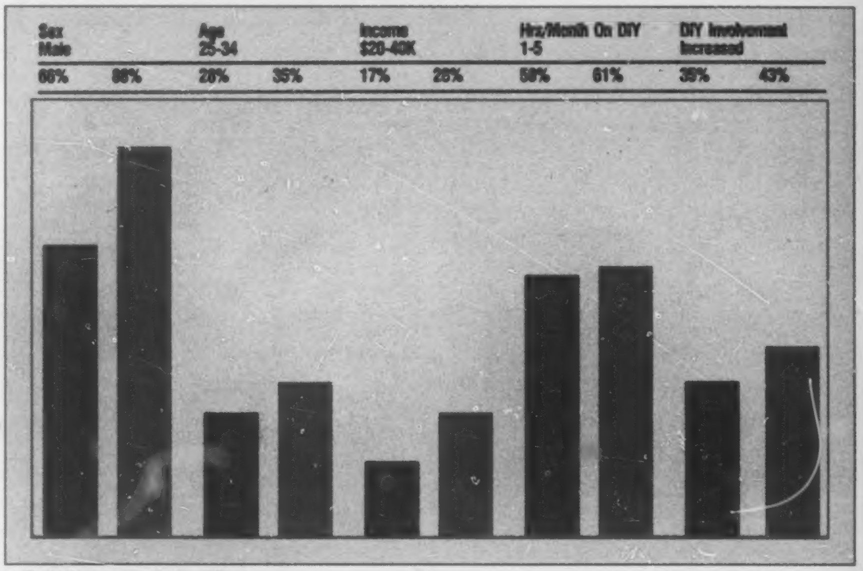
In this regard, Americans seem to have forgotten the gas shortages of the 1970s. More six and eight cylinder cars are being sold again. Engine sizes are slowly creeping up. While we'll probably never see 400 cubic inch engines again, more 5-liter engines (about 300 cubic inches) are on the road.

33%

of all DIYers who bought and installed batteries bought the brand they did because of its low price.

Source: *AM Consumer Automotive Repair Study*

Comparing the largest percentages of DIYers in any given category who bought and installed batteries with DIYers as a whole in the same category.



■ Study Average ■ Battery DIYers

Source: *AM Consumer Automotive Repair Study*

Hotter And Heavier Loads

The jury is still out on the effects of emissions and aerodynamics on the battery. For one thing, newer engines run hotter and therefore create a worse environment for the battery. Aerodynamic vehicle designs leave less space for the heat to dissipate. In fact some new cars, such as the popular Ford Taurus, come with larger batteries simply to compensate for higher underhood temperatures. Battery makers say that batteries may not live as long in some new cars. However, the evidence is not in yet.

There is also a power problem stemming from the increased use of electronics in newer cars. Such options as power seats, power mirrors, power windows, electronically tuned radios, message centers, and simply the higher electronic load needed in computer controlled engines all take power from the the battery.

In addition, there are higher parasitic loads than ever before. A car with automatic door locks, entry lights, a security system, a trip computer, a digital clock, and computerized carburetor controls is not an uncommon vehicle today. The parasitic load on such a car will drain about two minutes of reserve a day from the battery. Today's best batteries have about a two-hour reserve capacity. A vehicle that sits for a long time could be in trouble.

Bigger Batteries

Combine the increased heat, the increased amount of electronics, and the higher parasitic loads, and you see the challenge facing battery manufacturers.

All in all, the battery industry has made remarkably steady progress in increasing the amount of power without increasing the size of the battery. Improvements have come from thinner plates, better insulation, changes in grid design and lighter weight packaging.

To compensate for even more electronics, battery makers expect to increase the number of cold cranking amps (CCA) as well as reserve capacity. Today's batteries top out at about 650 CCAs, but an 850 CCA rating is not long in coming.

Suppliers see the possibility of OE makers going to a 24-volt battery, or possibly two 12-volt batteries with a starting battery and a deep cycle battery to handle the parasitic load. ■

(Circle 48 on Product Information Card)→

Product Category Review

REMANUFACTURED PARTS

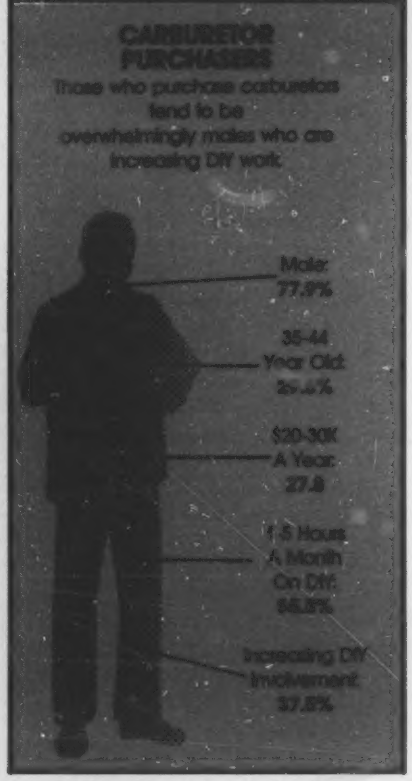
Remanufactured parts mean solid parts sales.

Do-it-yourselfers concerned with both the quality and the price of their replacement hard parts find more choices when they go shopping in automotive parts stores these days. Besides the OE suppliers' aftermarket products, they find other suppliers' offerings. In addition, they have the opportunity to purchase rebuilt or remanufactured products in many instances.

From armatures to water pumps, rebuilt parts provide the DIY customer a chance to buy something he needs at less than the price of a new part. The Automotive Parts Rebuilders Association (APRA) puts the general price range for all its industry's offerings between 60-65% of an equivalent new product. Part of this price savings is due to the cost savings of using the original housings for the rebuilt hard parts.

Quality is no longer a remanufactured parts issue. Today, their resources and remanufacturing processes allow the rebuilder companies the opportunity to use R&D techniques similar to those at the OE supplier firms to analyze products. In some cases, they can modify the rebuilt parts as they prepare to recycle them in the market. Rebuilders strive to meet, or exceed, the OE specifications for parts. And they provide warranties similar to those for new replacement parts, too.

THE MAX.
MAX.
FLYWHEEL


CARBURETOR PURCHASERS

Those who purchase carburetors tend to be overwhelmingly males who are increasing DIY work.

Source: *AM Consumer Automotive Repair Study*

62%

of all DIYers who bought a carburetor purchased it at an auto parts store.

Source: *AM Consumer Automotive Repair Study*

Rebuilt vs. Remanufactured

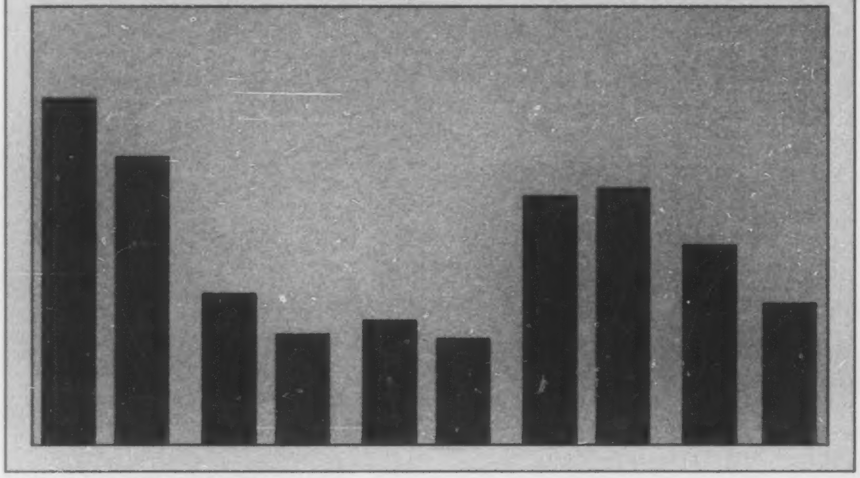
Exactly what is a rebuilt, or remanufactured, part? To make a household

Product Category Review

REMANUFACTURED PARTS

Comparing the largest percentages of DIYers in any given category who bought carburetors with DIYers as a whole in the same category.

Sex: Male		Age: 35-44		Income: -$20K		Hrs/Month On DIY: 1-5		DIY Involvement: Increased	
78%	65%	34%	25%	28%	29%	56%	58%	45%	32%



■ Study Average ■ Carburetor DIYers

Source: *AM Consumer Automotive Repair Study*

comparison, it's like a reconditioned piece of furniture which has been disassembled, inspected, cleaned, refurbished, and reassembled.

Parts rebuilders distinguish between rebuilt and remanufactured this way: rebuilding is the process when a single part is disassembled, a worn component component replaced, and the unit reassembled; remanufacturing is the process which disassembles many parts, reconditions salvageable components, and reassembles them in a mass production basis using both new and reconditioned parts.

Rebuilts are different from used parts. The latter are parts which have been taken from vehicles, and possibly cleaned before re-sale. There is no disassembly and reassembly process with used parts, and generally no warranty.

Where's The Business?

What is the demand for remanufactured hard parts? In some instances, for example, water pumps, the market is dominated by the remanufactured offerings. When replacement parts for imported cars were most difficult to find, rebuilt and remanufactured parts filled the need, putting disabled vehicles back on the road without a very long wait for new parts to appear at dealerships or in specialists' stocks.

Besides water pumps, many electrical parts and components are available in the rebuilt mode. Rebuilt brakes are another popular item, although with disc brakes rather than drums, the core value is diminished and the rebuilding process may boil down to only relining the brakes.

The APRA estimates that between 80-85% of replacement carburetors sold today are rebuilts. Carburetors are a product with limited growth potential because the new fuel injection systems in today's cars and trucks eliminates them. But the rebuilt electronic computer module is coming into the market to replace that eventually declining carburetor business. Rebuilder firms have mastered the techniques required to remanufacture the electronic components, and given the cost advantages, the outlook for this new category is good.

Rebuilts are popular choices for clutches and flywheels as well as the standard electrical items of starters and alternators. New front wheel drive technology means rebuilt sales opportunities for transaxles, according to APRA.

They Meet Customers' Needs

For retailers seeking to help their DIY customers who need to keep a tight control on their wallets as they repair their cars, rebuilts may be the answer.

For retailers who work hard to help their consumers who have older cars, rebuilts are sure sales. That's because rebuilders put a lot of effort to maintain inventory coverage for older cars. They do this because they know that the price advantage of rebuilts over new is very desirable to the DIY working hard to keep his or her older car alive at the lowest possible cost. And they know that owners of older cars depend a great deal upon these cars to get them to their jobs, so quality is also an important consideration.

Rebuilts continue to gain acceptability in the consumers' minds, and the opportunities for hard parts profits through rebuilts continues to gain acceptability on the retailers' bottom line. ■

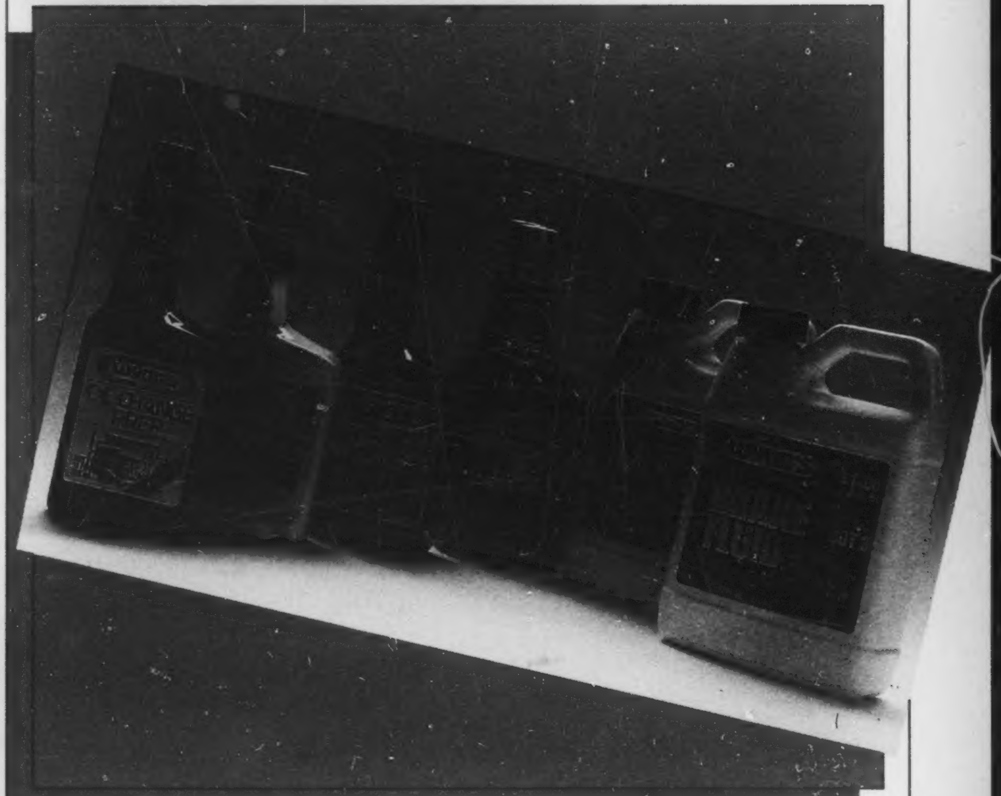
19%

of all DIYers who bought
a carburetor bought
the brand they did
because of its low price.

Source: *AM Consumer Automotive Repair Study*

Product Category Review

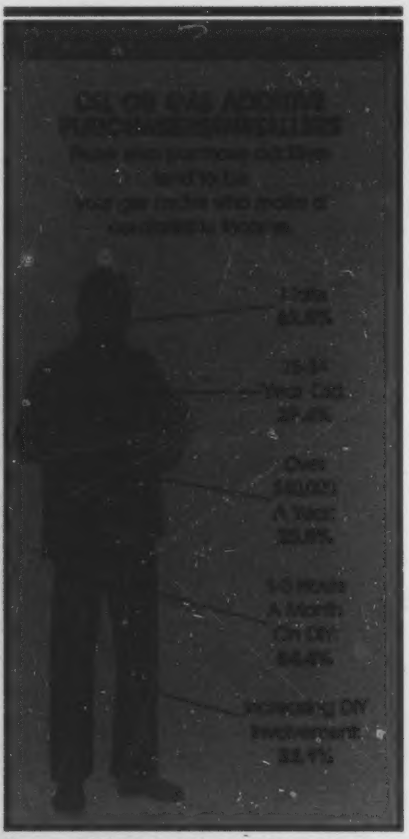
MAINTENANCE & ADDITIVE CHEMICALS



Chemical products make vehicles run better and make cash registers ring.

Additives and maintenance chemicals are just two of the many automotive chemical products found on store shelves. While the ebb and flow of new chemical product introductions can make the chemical section of any automotive store a place of mystery for many consumers, oil and gas additives and maintenance chemicals are perennial favorites. They are easy to use, dependable, and get the job done.

But just what are these products? There are three basic types of automotive chemicals, and each type does a different job for the car. Here is a brief explanation of each type:



Source: *AM Consumer Automotive Repair Study*

- Additives: these chemicals are added to gas or oil to improve engine performance by removing water from gasoline, cleaning fuel lines, reducing oil consumption and exhaust smoking, and increasing friction protection.
- Maintenance fluid: these chemicals are added to different vehicle systems as aids to DIYers. Depending on the chemical, they do such jobs as make engine oil cleaner, clean away sludge, reduce wear on power steering pumps, prevent leaks, and clean and degrease parts.
- Functional fluids: these are chemicals required for the operation of the vehicle such as brake fluid, power steering fluid, or automatic transmission fluid.

Popular Additives

One popular gas additive is a gas line

34%

of all DIYers who bought and installed additives purchased them at an auto parts store.

Source: *AM Consumer Automotive Repair Study*

Product Category Review

MAINTENANCE & ADDITIVE CHEMICALS

treatment which mainly serves to prevent cold weather ice build-up in the gas tank and fuel lines. The treatment is also formulated to clean up the fuel system in various ways. Some other gas additives are formulated to help vehicles pass emissions test, for instance, with one container treating up to 20 gallons of gasoline.

For fuel-injected engines, specially formulated gas line cleaner additives are often used regularly simply because any impurities in the fuel line throw the engine out of tune. There are also cold starting sprays, made of highly combustible liquids. And finally, there are lead additives to supply lead or lead substitutes no longer found in gasoline.

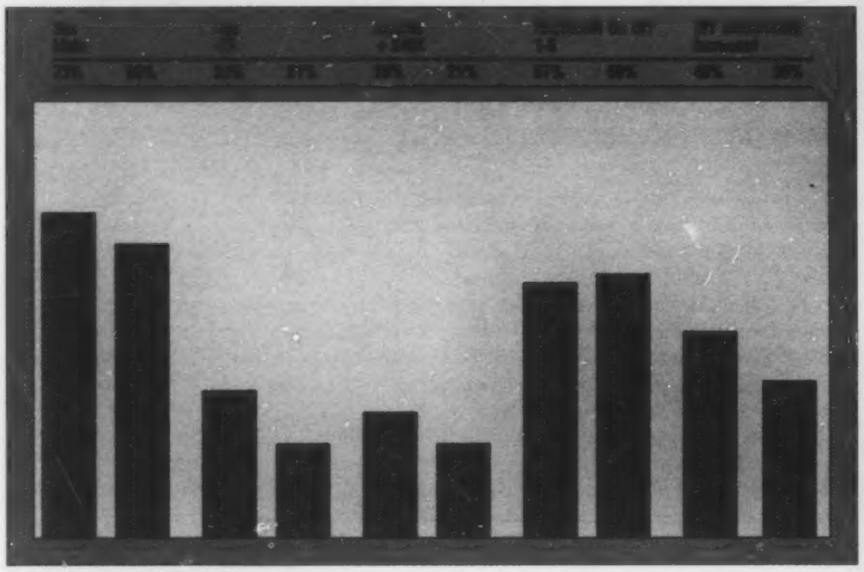
Motor oil additives replace the chemicals that motor oil manufacturers use to make up as much as 20% of the average motor oil. The additives, both the ones the manufacturers put in the oil originally and the ones provided by motor oil additives, perform important functions in the engine. Motor oil additives are designed to replace those chemicals as they are lost through wear and break-down. Some oil additives are useful for cleaning valves and piston rings. Others contain stop leak additives to seal oil bearings and seals. Some additives reduce friction by coating internal parts with a super slippery oil.

28%

of all DIYers who bought and installed additives bought the brand they did because of its quality.

Source: *AM Consumer Automotive Repair Study*

Comparing the largest percentages of DIYers in any given category who bought and installed additives with DIYers as a whole in the same category.



■ Study Average ■ Additive DIYers

Source: *AM Consumer Automotive Repair Study*

How Popular?

Just how popular are additives and maintenance chemicals? Very. *Automotive Marketing's* 1988 *Consumer Automotive Repair Study* (CARS) found that 48% of the DIYers we spoke to purchased and poured an additive into their car. The average additive DIYer in our 1988 study was a male younger than 34-years-old who made less than $30,000 a year. He spent between one and five hours a month on automotive DIY work and was responsible for one or two cars. Almost half of the additive DIYers said they had increased the amount of automotive repair work they did over the year before.

Additive DIYers said they poured their own additives in for a variety of reasons including: to save money (41%), because it was simple and easy to do (23%), and because they enjoyed doing it or did it for personal satisfaction (22%).

In 1988, additive DIYers purchased the product at an automotive store (45%) or a discount/department store (30%). They bought it where they did because of price (36%). They generally chose nationally advertised additives (82%) and paid for them because they believed them to be of good quality (28%).

Chemical Questions

These chemical products are very popular and are good sellers, but sometimes draw a lot of questions. The hardest, of course, is: Do they work? This is a tricky question to answer because there are many additives and many claims. In general, additives and maintenance chemicals do a good job and do just what they say they will. But no two engines are identical and different engines will have different reactions to different additives. Both you and the customer should read the labels very carefully. Check the benefits, the claims, the directions, and any warnings about product use. ■

Product Category Review

CAR WASH EQUIPMENT

Car washing equipment is no longer just a seasonal sales item. The product is an all-around best seller.

Car washing equipment—those popular spray attachments that attach to the end of a garden hose and the soap and wax products that go with them—is no longer just a Summer selling season phenomenon. Today, this equipment is an all-season best seller. That's because today's DIYer wants to use professional-type equipment to clean his vehicle.

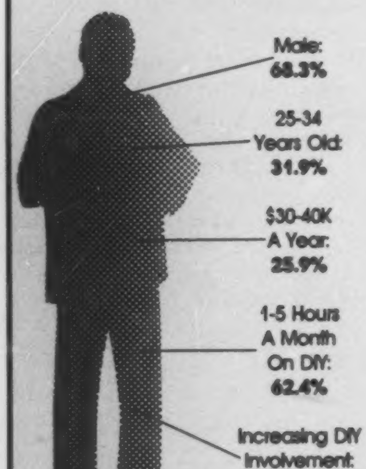
A lot of DIYers out there spend lots of time and money caring for their vehicles' finish. *Automotive Marketing's* 1988 *Consumer Automotive Repair Study* (CARS) found that 63% of the DIYers we spoke to waxed their vehicles during the 12 months prior to the study. It is safe to say, then, that those same DIYers most likely washed their vehicles themselves before they applied a wax product.

The reasons the DIYers gave for caring for their vehicle's finish by applying wax themselves included the following: to save money (36%), for personal satisfaction or enjoyment (28%), and because the job was simple and easy to do (16%). Again, it is safe to say that these DIYers feel the same about washing their cars, trucks, and vans.

THE ULTIMATE POWER PRESSURE WASHER
TREASURE CHEST
For people who want to keep their cars Showroom Clean!
TURBO-WASH
WAXXER
WAX

WAX OR POLISH PURCHASERS/INSTALLERS

Those who purchase wax or polish tend to be younger males who make a comfortable income.


Male: 68.3%
25-34 Years Old: 31.9%
$30-40K A Year: 25.9%
1-5 Hours A Month On DIY: 62.4%
Increasing DIY Involvement: 36.7%

Source: *A M Consumer Automotive Repair Study*

42% of all DIYers who bought and installed wax or polish purchased it at an auto parts store.

Source: *A M Consumer Automotive Repair Study*

The Equipment Factor

It used to be that DIYers who washed their vehicles themselves used the same sponges, rags, and soaps they used to do household chores to wash the family se-

Product Category Review

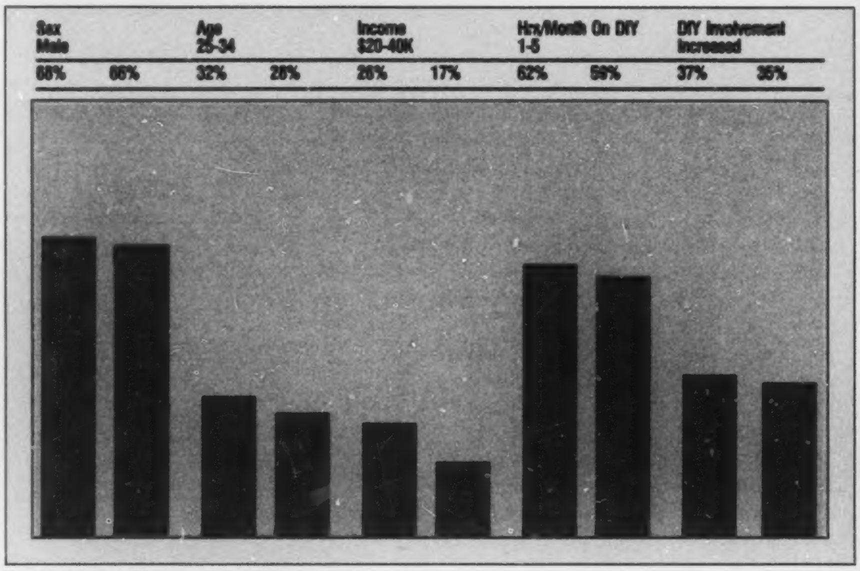
CAR WASH EQUIPMENT

dan. That's because it used to be that only professional car washes had special equipment. But things have changed. DIYers, too, now have special gear such as car wash spray attachments to use when they clean their vehicles. And, this change has come just in time, too, since the wide-spread use of clear coatings on vehicles has led many people to abandon professional car washes and start washing their own cars.

Many new car owners' manuals specifically say that the car owner should not take his vehicle, with its clear coat finish, to professional car washing places that use stiff brushes. The stiff brushes—unlike the water stream produced by a car wash spray attachment—will damage the finish. True, many professional car washers now no longer use these stiff brushes, but many people with clear-coated cars are still washing their cars themselves, and they are using these popular car wash spray attachments.

Some car wash spray attachments can also be changed from a washing tool to a waxing tool simply by switching from a soap cartridge to a wax cartridge. This makes it possible for a car wash DIYer to clean and wax his vehicle as efficiently as any professional car wash without paying high car wash prices and without risking damage to a vehicle's finish. Both the soap and wax cartridge systems for these tools are totally self contained. No mixing or measuring is required.

Comparing the largest percentages of DIYers in any given category who bought and installed wax or polish with DIYers as a whole in the same category.



■ Study Average ■ Wax or Polish DIYers

Source: *AM Consumer Automotive Repair Study*

And washing their cars is not the only thing the DIYers have found to do with this product. The car wash spray attachments are pressed into weekend service to wash boats, RVs, patio furniture, house siding, and windows with a powerful dirt-cutting stream of suds and water. And, it is all done without any hand rubbing, buffing, or polishing.

Merchandising The Product

The byword when merchandising the products is *creativity*. And with these products, creativity is easy. First of all, the packaging itself is eye-catching. The average box is identified for the consumer on all six sides. No matter how you stack the box, backwards, upsidedown, on a table, standing upright—the product is clearly identifiable. That means you can use your space in any way you see fit.

One good place to merchandise these car wash spray attachments is with vehicle care chemicals. Eye level is good, but you can stack them vertically or display them at floor level. Some retailers stack them horizontally on end caps. End caps are ideal—the products just jump out at your customers.

Remember that with this item, the soap and wax are strong, and necessary, add-on sales items. Put the soap and wax right next to the attachments. On an end cap display, stack one shelf with brushes, one shelf with soap and wax and so forth.

One manufacturer is making your merchandising job easier by packaging this equipment two ways: first as individual items, and second, as complete kits packaged in eye-catching boxes with easy-to-carry plastic handles. ■

31%

of all DIYers who bought and installed wax or polish bought the brand they did because of its quality.

Source: *AM Consumer Automotive Repair Study*

Product Category Review

SUSPENSION PARTS

The parts may change, but the suspension market is here to stay.

Over the past ten years, the suspension market has undergone a significant change. From a market that consisted mainly of shock absorber sales to DIYers, the suspension market is now made up of MacPherson strut sales, strut boots, coil springs, and jounce bumpers, as well as the old, reliable shock absorber. And, manufacturers have made significant improvements in shock absorbers with such items as gas-charged shocks.

Gabriel
Gabriel
Gabriel
Gabriel
Strut Cushion
Gabriel
Gabriel
Gabriel
Gabriel
Gabriel
Gabriel
Gas Hyper
Gabriel
Gabriel

Real Growth

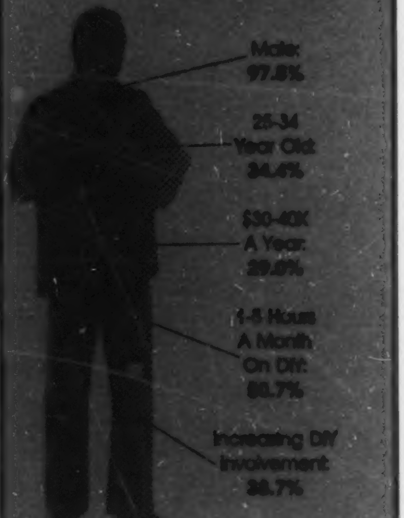
But the real growth in suspension sales comes from MacPherson struts. MacPherson struts were named for American engineer Earle MacPherson who patented a strut design in 1953. They were first used on an English Ford in 1958. But it was much later when they first appeared on American cars, about 1977.

The two gas shortages of the 1970s led to a demand for fuel economy. In response, by the late 1970s, OE car makers started producing large numbers of smaller, lighter, front-wheel-drive cars equipped with struts on the front wheels and shocks on the rear wheels. There were two reasons why. First, a strut suspension takes up much less room in the front of a car, and second, it allows the removal of many massive front end parts, such as upper control arms.

FWD and strut suspension rapidly grew. From about a quarter of new cars

SHOCK ABSORBER OR STRUTS PURCHASERS/INSTALLERS

Those who purchase and install shock absorbers or struts tend to be younger males who make a comfortable income.



Source: 1988 *AM Consumer Automotive Repair Study*

29%

of all DIYers who bought and installed shock absorbers or struts purchased them at an auto parts store.

Source: *A M Consumer Automotive Repair Study*

Product Category Review

SUSPENSION PARTS

in 1980, strut-equipped cars made up well over 80% of new cars by the mid-1980s. As a result, although struts have a lower replacement rate than shocks, strut sales have climbed to close to 30% of dollar sales, and are still climbing.

Market Estimates

A reliable estimate by the Lindsey-Kaufman Co. puts the 1987 strut market at $255 million at retail. But this does not mean the shock absorber market is going away. Lindsey-Kaufman puts that market at $815 million for a combined suspension market of $1.07 billion.

In unit sales, the difference is a bit less. Manufacturers estimate total unit shipments at about seven million struts and about 44 million shocks in 1987. However, the replacement strut costs about three times the shock replacement so the difference is much less in dollars.

Struts Are The Future

But the future goes to the strut. By 1990, manufacturers expect the percentage of cars on the road equipped with struts to be more then 70%. Also, the aftermarket is seeing the need for more replacement struts the 1983 and 1984 cars enter the prime repair years. Lindsey-Kaufman expects shock sales to increase slightly to $845 million at retail in five years, while strut sales will almost double to $500 million, making a combined suspension market of $1.345 billion in 1992.

One question is, who will get the lion's share of this growing market? As far as the growing strut market, unfortunately, strut replacements have not found a good DIY rate. Installing a strut is a tough job and only the most competent DIYer is willing to tackle the task. The main problem is that the job requires a spring compressor. Some chains are attempting to meet this challenge by loaning or renting the proper tools.

However, no manufacturer or retailer expects a high DIY rate for strut replacement. This means the chain with service bays that can compete with the tire stores and specialists that dominate the installed market will be in the catbird seat for strut sales.

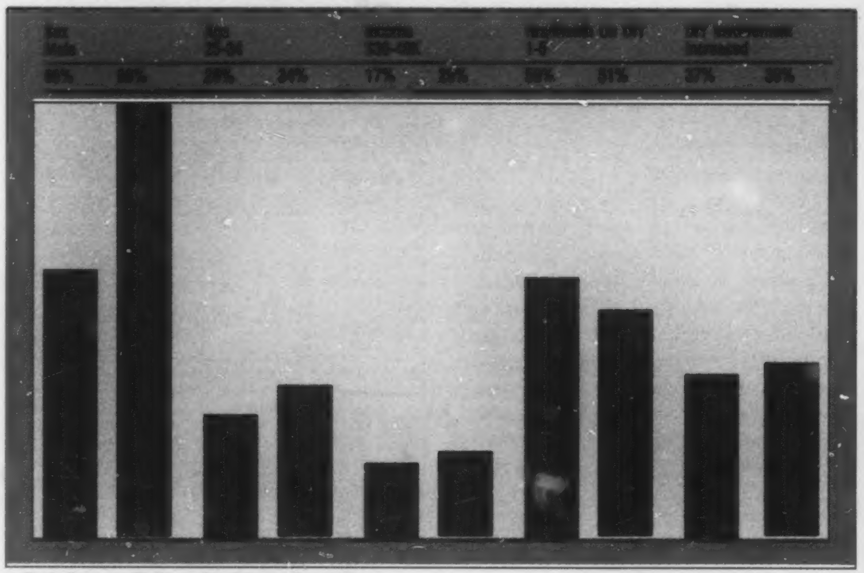
Shock Possibilities

But as far as the shock absorber market goes, there will continue to be a strong DIY market. Shocks are still a relatively easy DIY job. Some manufacturers put the DIY rate as high as 40%, although it's probably closer to [illegible]%. However, there is a slower replacement rate since shocks are found mainly on rear wheels today and thus get less wear.

On the plus side, there is a trend toward the higher value, higher ticket, gas-charged shocks. Retailers expanding their shock absorber categories are finding new sales opportunities with performance shocks that exceed OE specs. The growing pick-up and four-wheel-drive vehicle markets are also good news for retailers. Truck and FWD owners tend to be DIYers and appreciate high performance shocks.

Another strong market for retailers is the import market. Although several foreign shock and strut manufacturers are building plants in the U.S. to service the Japanese transplants, American manufacturers have full lines, and retailers should emphasize import replacements in their sales. ■

Comparing the largest percentages of DIYers in any given category who bought and installed shock absorbers or struts with DIYers as a whole in the same category.



▩ Study Average ■ Shock Absorbers or Struts DIYers

Source: *AM Consumer Automotive Repair Study*

38%

of all DIYers who bought and installed shock absorbers or struts bought the brand they did because of its quality.

Source: *AM Consumer Automotive Repair Study*

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Chilton's

AUTOMOTIVE MARKETING

The Marketing/Business Magazine For The Retail Aftermarket JULY 1988

THE AUTOMOTIVE PARTS & ACCESSORIES ASSOCIATION SHOW: CHICAGO, JULY 25-28

Retailers Say "No" To Recession

Mergers, Acquisitions, & LBOs: What Do They Mean To You?

Accessory Installation

Where Will You Find Employees In The Future?

Reps Make Hard Choices

SERVICE REPORT: The Start Of A New Three-Part Series On The DIYability Of Today's Cars

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FEATURES

1988 Forecast: Bullish On The Future 74
Despite early reports, most retailers don't see a recession in our future.

Mergers And Acquisitions: What They Mean To The Aftermarket 86
Mergers, acquisitions, and leveraged buy-outs continue to change the aftermarket. Here are some thoughts on why it's happening and what it means to you.

Why Installing Accessories Is A Growing Business 101
You don't have to install accessories to sell them, but it helps.

Who Will Mind The Stores? 117
The experts say changes must come in how we recruit, retain, and train our employees if our stores are to be adequately staffed in the future.

Reps Make Hard Choices 131
Will the manufacturers' reps be odd men out as a result of market changes? Here's a look at the hard choices the reps are making.

What Will Be The Next DIYers' Dream Car? 143
Our Service Report asks, "Is there is a DIYer's 'dream car' rolling off and assembly line somewhere?" And, if there is, will DIYers work on it?

Superstores 147
Auto stores grow bigger, but are they better? Are parts stores, or superstores, in the future?

Trade Shows: A Look At Future Possibilities 154
Are combined trades shows the future of our industry?

Management Report: Learn To Use EDI 158
Retailers and suppliers can learn to take advantage of this form of electronic date transmission.

DEPARTMENTS

Detailing The Market 5
Editorial 18
The *Automotive Marketing* Index 20
Market Line 33
Employees & The Human Factor 163
Products 164
Rep Guide 218
Ad Index 221
Reader Service Card 223

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PUBLISHER'S NOTES

EXCITING TIMES

This is an exciting, but uneasy, time for our market.

Exciting, because of the high activity level within our industry: mergers and consolidations, and renewed energies. Uneasy, because when any business goes through this much change this quickly, people tend to feel a little unsettled. And with the APAA show upon us, the stage is set for a *most* interesting show for buyers and sellers.

We've worked hard to bring you the information to settle some of that uneasiness in this Show issue. Senior news and feature editor John Wirebach has done his customary superb reporting on merger and acquisition activity within the retail parts chains. Research editor Philip Katcher has polled you, our readers, for your forecasts of the remainder of the year, and he's also analyzed the success of the much-touted superstores. Managing editor Gail Krueger-Nicholson has probed further into the problems of finding retail store employees. Editor Rosemarie Kitchin looks at the choices which manufacturer's reps are making in their businesses. Contributing editor David Evans assesses the DIYability of today's cars, and contributing editor Edward Kaufman ponders the market for accessory installation.

See you in Chicago for the Show. Visit us at Booth 4516. ■

Sarah Frankson,
Publisher

DETAILING THE MARKET

IN-STORE FOCUS

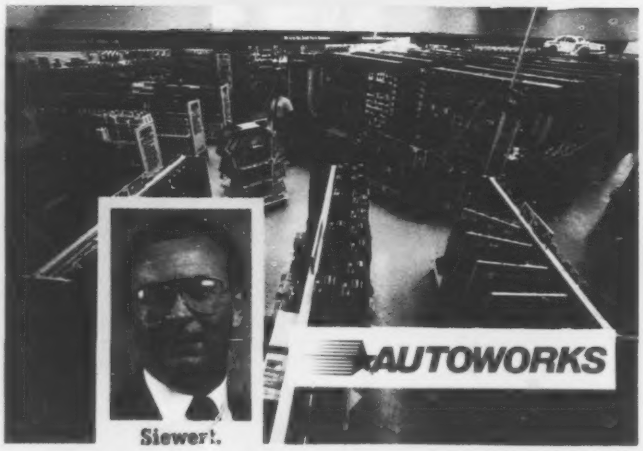
AUTOWORKS (Kansas City/ Omaha markets, Div. Northern Automotive Corp.)
Headquarters: POB 6030, Phoenix, AZ 85005. (602) 265-9200.
Stores: 9
Company has 830 total units.
Sales: Evolving chain/NA
Average SKUs: 9,000
Founded: 1917 as Schuck's Auto Supply

It's impossible to talk about the Autoworks stores springing up in the Midwest without tracing their family history.

In December 1986, Schuck's Auto Supply, a Division of Northern Pacific Corp., Seattle, itself a division of Trump Capital Group, NY (no relation to the hotel/casino magnate), purchased the Lucky Stores automotive division – and added the 380 stores operating as Checker Auto Parts and Kragen Auto Parts for a total of 476. The operation became Checker/Schuck's/Kragen, and added a corporate name, Northern Automotive Corp.

In January 1988, Northern Automotive Corp. made two acquisitions. It bought the eight store U-Save Auto Parts chain based in Southern California from Merv York, and the 252-store Auto Works chain from Perry Drug Co., Pontiac, MI. In early May, Northern completed another acquisition: the 57-store Crown Auto chain based in Minneapolis.

The U-Save chain is now called Kragen Autoworks. New stores opening in the Western Checker/Schuck's/Kragen area will also feature Autoworks as part of their name.



Siewert.

Perry's Auto Works and Crown operate as separate divisions in ten states. Most of the Crown stores, unlike the others in the chain, have service bays.

That brings us to Kansas City – home turf of Western Auto (itself recently acquired by Sears Roebuck), a new market area for Northern. Nine stores were already open at press time, six Autoworks outlets in the Kansas City market area and three in the Omaha, NB/Council Bluffs, IA area. More are planned, and more in nearby markets, like Wichita, KS and Grand Island, NB.

How does the chain plan to compete with the other aftermarket chains in the area?

Company spokesman Fred Nelson said, "Location is extremely important. Our philosophy is to find the best available sites on well-trafficked thoroughfares, as many freestanding as possible. If the customer is used to a certain buying pattern, it makes sense to position ourselves in that pattern."

The chain uses no ad blitzes to lure customers. Nelson said, "We advertise basically the same in Kansas City as elsewhere. We rely on exterior graphics. Our print advertising centers around newspaper ROP and inserts, and in some cases, direct mail." What the chain does do to attract and keep customers, he said, is to emphasize customer service.

"We pride ourselves on customer service," Nelson said. " 'Take care of the customer.' That's our attitude. This comes from Dan Siewert (president/ CEO of Northern Automotive Corp.) and is emulated by all of our people."

The stores themselves are a big customer lure. There are two basic models – the high-tech racetrack motif, and the straight track, higher security store, offered in six variations, depending on square footage. But, said Nelson, "nine out of ten of our new stores will have the racetrack design."

Each racetrack store, with red, white and blue graphics, features a cage (literally a cage) for its hard parts department. The parts counter itself is not visible from the front door. The front door checkout and product show units are placed to draw the customer through all merchandise areas.

The first impression is one of very clean, very airy space – the white ceilings are approximately 19' high. White geodesic gridwork hanging from the ceiling holds signage that clearly identifies each department. There is no chemical wall: those SKUs are stacked on gondolas. Bikes hang on a wall near the front door.

The Autoworks straight track store has no parts cage, but an elevated parts counter at the store's rear, from which the entire store is visible, adding to security. Aisles are angled.

Promotional merchandising in Autoworks is flexible for reaction to local competition.

The company's business cards boast of being "The Nation's Largest Auto Parts Chain." It's growing rapidly to meet Siewert's goal of dominant leadership in the industry, and a national operation.

DETAIL

80%

of jobbers with annual sales over $1 million use computers in their businesses, compared to only 40% of those with sales under $500,000, according to the Motor and Equipment Manufacturers Association.

PROFILE: TUNE-UP PRODUCT DIYers

Drawing from the 1988 *Automotive Marketing Consumer Automotive Repair Study*, we look at DIYers who purchased and installed tune-up products during the previous 12 months.

			Age					Income				Hours Per Month Spent On DIY			
Total	Male	Female	-25	25-34	35-44	45-54	55 +	-$20K	$20-30K	$30-40K	+40K	-1 Hrs	1-5 Hrs	6-10 Hrs	11 + Hrs
100.0%	91.2%	8.8%	14.3%	35.2%	24.4%	14.6%	11.5%	25.0%	15.3%	20.4%	24.1%	5.0%	61.0%	20.1%	12.2

THE AUTOMOTIVE MARKETING INDEX

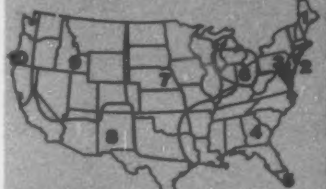
THE 1988 *AUTOMOTIVE MARKETING* MARKETBASKET

To determine the price movement, *Automotive Marketing* created a "marketbasket" of the best prices available for nine popular aftermarket products. We determine the best available price of each item in each marketing area each month to come up with an average marketbasket index.The products include a non-resistor spark plug; an oil filter; a can of 10W30 motor oil; a can of paste wax; an AM/FM/Cassette radio; a gas-charged shock absorber; a gallon of antifreeze/coolant; a pair of windshield wiper re[illegible]s; and a 40-month-warranty battery. These products are usually on sale somewhere within each marketing area, which we define by their unique geographic, meteorological, and consumer characteristics.

APRIL 1988 NATIONAL AVERAGE MARKETBASKET PRICES

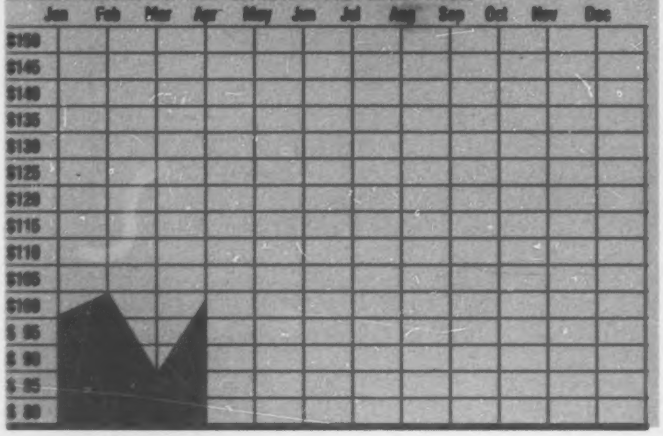
A non-resistor spark plug:	$ .72	A gas-charged shock:	$ 14.86
An oil filter:	2.31	One gallon of antifreeze:	3.50
A can of 10W30 oil:	.74	One pair of wiper refills:	2.41
A can of paste wax:	2.98	A 40-month battery:	31.16
An AM/FM/Cassette:	46.17	Total:	$104.86

APRIL 1988 AM MARKETBASKET PRICES BY MARKETING AREA



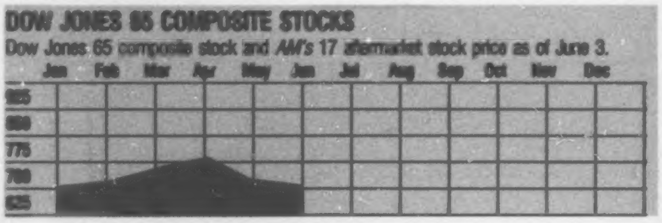
1. Greenbelt East:	$136.20
2. Megapolis East:	88.71
3. Smokestack East:	$ 87.90
4. Old South:	102.75
5. Caribbean South:	115.84
6. Smokestack Central:	97.56
7. Grainbelt Central:	98.46
8. Spanish West:	92.75
9. Desert West:	104.85
10. Greenbelt West:	123.08

NATIONAL AVERAGE MONTHLY 1988 AFTERMARKET BASKET PRICES

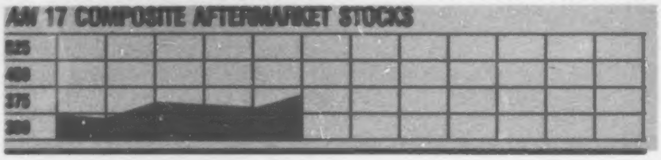


DOW JONES 65 COMPOSITE STOCKS

Dow Jones 65 composite stock and *AM's* 17 aftermarket stock price as of June 3.



AM 17 COMPOSITE AFTERMARKET STOCKS



1988 AFTERMARKET STOCK PRICES

The prices below are the high and low offered and paid for aftermarket-related common stocks for the 52 week period prior to June 3.

	Exchange	52-week High	52-week Low	5/3 Quote	P-E Ratio
Action Auto	NASDAQ	9	3 ¾	7 ⅜	21
Allied Signal	NYSE	48 ¾	26	33 ¼	10
Armor All	NASDAQ	27 ¼	10 ¾	20 ⅛	19
Arvin	NYSE	37 ⅜	14 ¾	19 ⅝	—
Audiovox	AMX	15 ⅝	4 ⅞	6 ½	8
AutoSpa	NASDAQ	4 ⅝	⅞	2 ⅛	1514
Big Bear	NASDAQ	26 ⅜	14 ⅞	24 ¼	12
Chief Auto	NASDAQ	18	5 ⅜	10 ¼	675
Champ Spk Plg	NYSE	16 ⅜	7 ⅞	12	24
Chevron	NYSE	64 ⅝	32	50 ⅜	13
Chrysler	NYSE	48	19 ⅝	21 ⅞	4
Coachmen	NYSE	12 ¾	6 ⅝	11	550
Cooper	NYSE	74 ½	39	59 ⅛	17
Dana Corp.	NYSE	54 ¼	27 ½	37 ½	11
Durakon	NASDAQ	14 ¼	7 ½	13 ¾	15
Echlin	NYSE	19 ⅝	10 ¾	17 ⅛	20
Equion	NASDAQ	8 ⅜	4	6 ⅜	9
Ford	NYSE	56 ¼	30	49 ¼	5
GM	NYSE	94 ⅛	50	76 ¼	7
Genuine Parts	NYSE	44 ⅜	27 ¼	36 ¾	18
Gn Auto	AMX	6 ⅜	1 ⅜	1 ⅝	—
JP Industries	NYSE	24 ⅞	12	17 ¼	12
Lancaster Colony	NASDAQ	26	15 ¼	16 ¾	11
Masco	NYSE	39 ¼	18 ¾	28 ¾	16
Meyer, Fred	NASDAQ	17 ⅞	9 ½	13 ⅛	10
Mobil	NYSE	55	32	44 ⅞	12
Modine	NASDAQ	22 ¾	11 ¾	18 ¾	11
Mr. Gasket	NASDAQ	7 ¾	5 ⅛	5 ⅜	21
PACCAR	NASDAQ	78	43 ½	71	10
Pkr Hannifin	NYSE	49	24 ½	35	16
Pennzoil	NYSE	88	38 ½	74 ¼	98
Pep Boys	NYSE	18 ⅞	9 ½	11 ⅛	18
Quaker State	NYSE	28 ½	12 ⅞	23	—
Rite Aid	NYSE	46 ¼	28 ½	37	16
Sears	NYSE	59 ½	29 ¾	35 ⅝	9
Snap On	NYSE	46 ½	24 ¼	43	19
Stan Mtr Prod	NYSE	21	11 ⅛	12 ⅜	11
Steego	NYSE	5 ¾	2 ½	5 ⅛	—
Sun Co	NYSE	68	34	59 ½	17
Superior Ind	AMX	17 ½	8 ⅛	14	13
TBC Corp.	NASDAQ	15 ¼	3 ¾	14 ¾	12
TRW	NYSE	70	37	46 ¾	11
Tenneco	NYSE	62 ½	36 ⅛	46 ½	—
Texaco	NYSE	52 ½	26 ⅞	50	21
Trak Auto	NASDAQ	19	7	11	14
Triad Systems	NASDAQ	14 ¾	7 ½	11 ¼	14
Walbro	NASDAQ	32 ¾	16 ¾	31 ½	20
Witco	NYSE	43 ¼	26 ⅝	34 ⅜	11
Wynn	NYSE	30 ⅜	14 ½	19 ¾	49

(Circle 20 on Product Information Card) →

eign Markets." Also on the program is American Insurance Underwriters' Emilio Iacobelli, speaking on product liability overseas. The moderator is Richard Singer of Singer Products.

For those not involved in exporting, APAA will hold a Town Meeting at 8:30 am where the APAA officers and staff will discuss any industry and association issues the audience wants to debate. Both the symposium and the Town Meeting will end in time for the Show opening at 9:30 am. Again, the Show closes at 5:00 pm.

Two hot topics are on Wednesday's agenda. At 8:30 am, a symposium on the light truck market will feature James Pedranti, Kenco Engineering, and Judith Broseker, APAA managing director of market research. The other hot topic is mergers and acquisitions featuring Joe Hrudka of Mr. Gasket; Doug Maehl, executive vice president of Checker/Schuck's/Kragen, and David Weiss of Marc Alan Associates.

Show doors open at 9:30 am until 5:00 pm. On Wednesday at 7:00 pm, APAA will hold its annual International Buyers Reception at the Chicago Hilton and Towers.

On Thursday, the final day of the Show, doors open at 9:30 am and close one hour earlier at 4:00 pm.

See you in Chicago. ■

What You Don't Know About The Law Can Hurt Your Business

As we prepared this issue, we decided to take a closer look at proposed (and enacted) changes in laws and regulations on the state and federal levels that will affect the way the aftermarket operates. For example, Proposition 65, which is now the law in California, will drastically change the way chemical suppliers operate and retailers sell chemicals in that state. At the national level, amendments to the Clean Air Act could throw 60% of emissions, ignition, and exhaust system work back to new car dealerships, according to some industry experts. Another move by the Environmental Protection Agency may eliminate DIY purchases of freon. In addition, Congress is considering several more laws that could lead to higher overhead for retailers as well as manufacturers.

The following section gives some details on these measures. We urge every member of the aftermarket to get involved in the fight to ensure that laws and regulations serve all of us fairly. ■

California Enacts Proposition 65

One item we'll follow closely is Proposition 65, the Safe Drinking Water and Toxic Enforcement Act, which is now the law in California. The law requires chemical sellers to display prominent notices that warn California consumers about certain products that contain chemicals known to the state to cause cancer or other reproductive harm or birth defects.

A company that fails to warn consumers faces fines of up to $2,500 per day for each violation. California has immediate-

AREAS EXCEEDING EPA OZONE STANDARDS

Ozone is the result of chemical reactions of nitrous oxides and volatile organic compounds. Some major sources are gasoline vapors, chemical solvents, and combustion products of various fuels. The chart shows the number of days metropolitan areas exceeded the Environmental Protection Agency's (EPA) National Ambient Air Quality Standards in 1987.

Metro Area	Days Over EPA Standard In 1987
Los Angeles	141.2
Bakersfield, CA	47.6
Fresno, CA	42.6
San Diego	26.8
Philadelphia	23.2
Visalia, CA	21.6
Houston	20.8
Modesto, CA	20.8
New York	19.2
Atlanta	15.0

Source: EPA

AREAS EXCEEDING EPA CARBON MONOXIDE STANDARDS

More than two-thirds of carbon monoxide comes from vehicle exhausts. It is highly poisonous, and the Environmental Protection Agency (EPA) has established what it considers safe levels of carbon monoxide. This chart shows the number of days metropolitan areas exceeded the EPA's National Ambient Air Quality Standards in 1987.

Metro Area	Days Over EPA Standard In 1987
New York	86
Spokane, WA	66
Los Angeles	40
Steubonville, OH	24
Denver, CO	24
Provo, UT	20
Las Vegas, NV	20
Fairbanks, AK	15
Albuqurque, NM	14
El Paso, TX	11
Phoenix, AR	11

Source: EPA

pendents. Approved by Senate committee; in House committee.

- Plant Closing Notification (HR 1122). Requires employers to give 90 day notice of closing or any layoff involving 50 or more workers. Further requires employers to consult with unions to determine possible alternatives to closing. Approved by House committee; not in Senate yet.
- High Risk Occupation Disease Notification & Prevention Act of 1987 (S 79 & HR 162). Would set up a Risk Assessment Board to find workers at risk from diseases associated with exposure to hazardous substances, notify them, and determine how to help them. Passed by House; in Senate committee. ■

ABOLISHING LEAD

Since the switch to catalytic converters and unleaded gasoline, the amount of lead emissions from vehicles has fallen off to virtually nothing. This chart traces the amount of lead emissions since 1970, measured in millions of metric tons.

Year	Total Lead Emissions	Vehicle Lead Emissions	% Unleaded Gas Sold
	(Millions Of Metric Tons)		
1970	203.8	156.0	0%
1975	147.0	114.7	21%
1980	70.6	56.4	49%
1985	21.0	0.9	65%

Source: EPA

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RESPONSES

Getting Out Of The Rebate Game

Mel Lippman, executive vice president, DL Group, Banite Inc., Buffalo, NY, responds to our February Market Line story "The Rebate Debate."

I read with interest your February issue article about rebates. It sheds light on the seriousness of this industry problem.

"Rebates were a bright idea when they were exclusive to the initiating manufacturer within a product line, but they are now fading in brilliance. All the advantages are negated and the costs are going sky-high.

"Now that everyone uses rebates, they have become only a costly defense tactic.

"When rebates run simultaneously on several national brands that are interchangeable in the consumers' eye, no one can grow market share enough to cover the cost of setting up and redeeming a rebate. Furthermore, the retail business is now national rather than regional (due to the retail chain consolidation), and a manufacturer can no longer selectively use rebates to strengthen a region where he is weak.

"We are tired of the rebate game, and will be out of it during 1989. We can do so because it is easy to aggressively meet competitors' offers when they continue to misuse the rebate tactics and give away profits with no gain in sales.

"Rebates are the easiest offensive tactic to duplicate, much easier to copy than new packaging, new formulas, or long-term media campaigns.

"I believe most other far-thinking manufacturers will gladly be out of rebates in 1989. I believe they will use those funds to

1988 FORECAST

BULLISH ON THE FUTURE

Despite early reports, most retailers don't see a recession in our future.

by **Philip Katcher**, Research Editor

Do you want to know how business is going to be? Just ask retailers in the field. The *Automotive Marketing* Retail Panel thinks that there's going to be growth for their firms in the near future – 73% of them said so.

Why? J.D. Carlon, Arnold Auto Supply, Arnold, CA, gave one reason: even greater car usage in the future than now. "There are more people leaving urban areas," he pointed out, "and moving to rural locations such as ours, commuting as many as 150 miles to work just so they can live where it's a little cheaper and a whole lot nicer."

Getting down to specifics, 54% of the Retail Panel believe that 1988 will be "somewhat better" in terms of dollar sales than 1987. A quarter of the entire panel goes further than that, believing that the year's dollar sales will be "much better" than last year. In fact, 63% say their dollar sales as of April 1988 were "somewhat better" than they were in April 1987, while 21% say they are "much better."

Retailers who met at the annual convention of the National Retail Merchants Association (NRMA), in New York, in early 1988 also reported that they didn't believe that there will be a recession in 1988. The retailers did, however, worry about a number of other problems. These were the results of a survey conducted at the NRMA convention by Touche Ross and the Garr Consulting Group Inc.

More than half (56%) said that the U.S. economy will remain the same in 1988 as in 1987, and only 24% said that a recession will take place during the year. Most economists predict a recession to start some time during this year.

The retailers were even more bullish about their own businesses. In all, for 1988, 83% said business would grow by 3% or more, while more than half (55%) said sales would jump by more than 6%.

Retailers aren't the only ones seeing a happy aftermarket future. For example, Mark Kalupa, chairman, president, and CEO of ARA Manufacturing Co., Grand Prairie, TX, sees a stronger second half of 1988 and a better 1989 in store for the automotive aftermarket. According to him, there are several positive signs for the total aftermarket, including the fact that cars remain on the road longer and, the same point Carlon makes, a growth in the number of miles cars are driven.

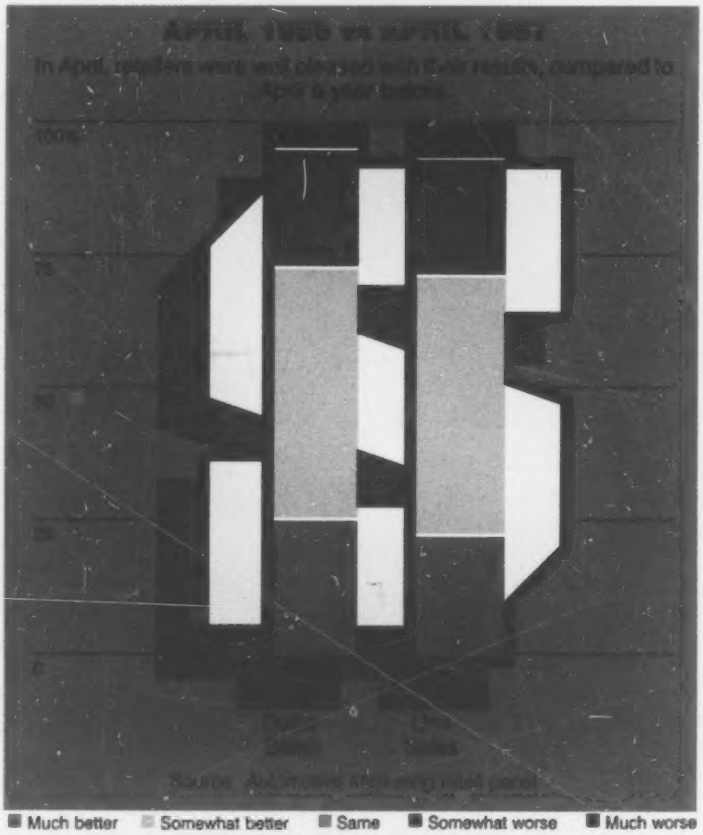
"Despite the higher prices of new cars, the actual cost of car ownership has declined in the last six years, due to lower fuel costs, reduced financing rates, and a greater overall efficiency," Kalupa said, adding, "This translates into a stronger aftermarket."

Nikko Securities Co. International, a Japanese firm, said that there is a strong possibility that there will be returns of as high as 20-25% on investments in companies selling replacement parts over the next six to 12 months. This prediction appeared in financial columnist Dan Dorman's April 3 *USA Today* column. According to him, Nikko said, "It's time for the replacement market to come into greater play because more repairs will be needed. And that means more zing in unit sales, dollar volume and earnings for the companies catering to this market."

Nikko's analyst Kathleen Heaney was quoted as saying auto parts sales should increase 8-9% in each of the next two years. Earnings growth should jump 15% in 1988, and 12-15% the following year.

At least one economic forecasting company does not totally agree with these optimistic predictions. There will be only minimal retail sales growth in metropolitan areas through the rest of 1988, according to Meretrends, a Columbus, OH, information and consulting service.

According to a company spokesman, "During 1988, we anticipate that the nation will experience an economic slowdown, with the possibility of one or two quarters of negative GNP (Gross National Product) growth. However, we do not expect a full-



1988 FORECAST

blown recession, since few substantial imbalances currently exist or are likely to develop during the year."

Meretrends sees the worst retail performances to be chalked up in Illinois, Indiana, Michigan, Ohio, Minnesota, Missouri, and Wisconsin. No or slow growth is projected for New Jersey, Louisiana, New York, and Pennsylvania during the same period. Declines in constant dollar sales (adjusted for inflation) for 1988 are seen for the Baltimore, Chicago, Cleveland, Dallas, Detroit, Ft. Lauderdale, FL, Kansas City, Milwaukee, Minneapolis, Pittsburgh, and St. Louis metropolitan areas.

Lewis Edwards of Edwards & Son, Pahokee, FL, agrees. "I see a rather stale economy for the next couple of years."

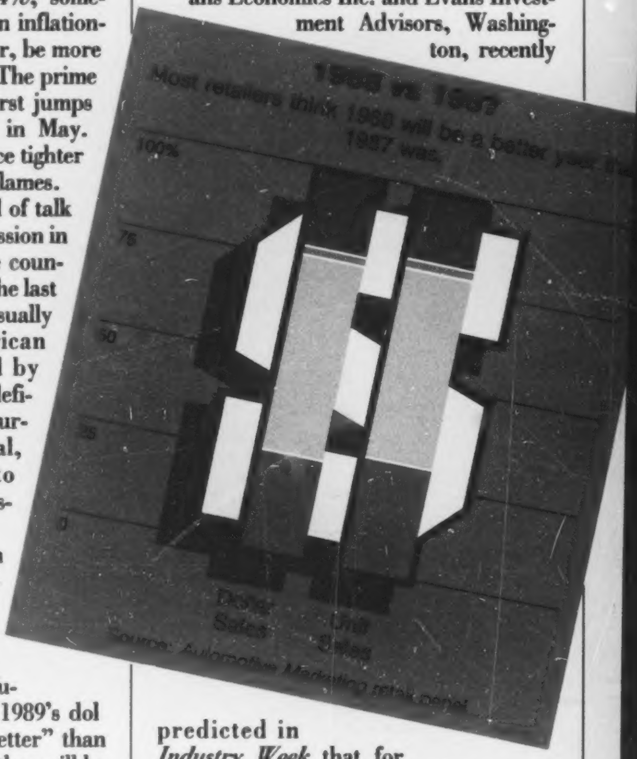
Jay N. Woodworth, vice president and senior domestic economist for the Bankers Trust, New York, told a recent Eastern regional meeting of the Society of Automotive Analysts that "in the next 24 months, we will have an onset of economic recession." He expected car sales to drop some 25% during the recession.

Those who worry about a potential recession point to signs that indicate one is indeed possible. The seasonally adjusted annual rate of March consumer prices, for example, rose 6.4%, something that could well trigger an inflationary spiral. This could, however, be more than offset by the prime rate. The prime rate rose to 9%, one of the first jumps it's made for some months, in May. Higher interest rates, and hence tighter money, dampen inflationary flames.

There has been a great deal of talk about the possibilities of a recession in the near future. After all, the country's prosperous period since the last real recession has been unusually long. Generally, the American economy has been marked by rises, followed by drops, in definite cycles. The length of the current rising period is unusual, and that alone is enough to cause many to predict a recession soon.

This possibility, at least in the aftermarket, is largely discounted. In all, 60% of the *Automotive Marketing* Retail Panel said they do not foresee a recession in the near future. Instead, 63% said that 1989's dollar sales will be "somewhat better" than they are now, while 21% said they will be "much better."

Even were there to be a recession, it may not hurt the aftermarket much. That's because, traditionally, new car sales drop during a recession while sales of products that keep cars on the road longer grow at a faster than usual rate.

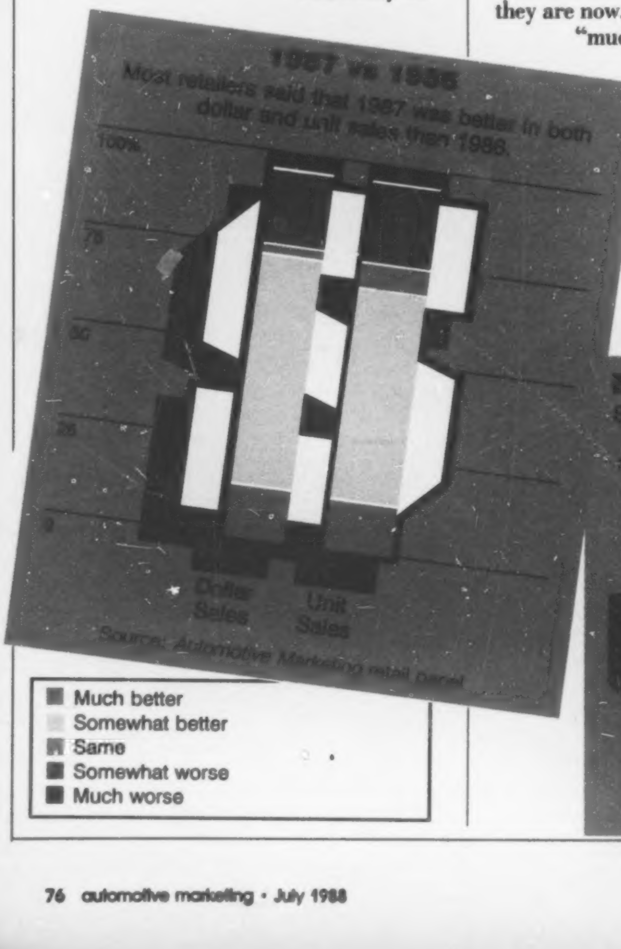


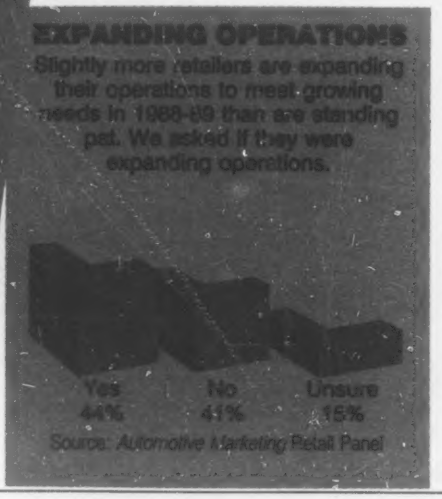
Dr. Michael K. Evans, president of Evans Economics Inc. and Evans Investment Advisors, Washington, recently predicted in *Industry Week* that for the next decade inflation will remain in the 4-5% range; interest rates will trend up; stock prices will be sluggish; the dollar will decline 4-5% per year relative to the yen and the mark; gold and silver prices will mirror the rise of the yen and the mark; and housing prices will continue to outperform the rate of inflation.

Woodworth of Bankers Trust said that by 1992 the rate of exchange from yen to dollars will be 75 or 80 to one, down from the 115 to the dollar he predicted by the end of 1988. The current exchange rate is 80 to one.

Despite the predicted slower 1988, Meretrends "expects the economy to once again be poised for a period of solid growth, with GNP projected to record favorable constant dollar advances of between 3% and 4%, (from 1898) through 1991." This growth, the company said, will not reach the high levels experienced during 1983-86, however. Meretrends also expects inflation to remain low through 1992, albeit not as modest as 1986.

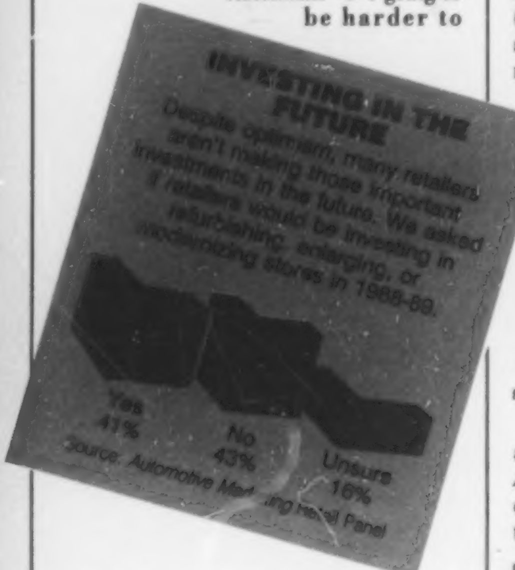
Meretrends sees the civilian unemployment rate falling to below 5% by 1992, as the nation's





labor market tightens. This means there will be more people on the streets with money in their pockets to spend on their cars.

But, the flip side of that is that it means there also will be fewer people on the street looking for jobs. Those who still are unemployed will find it easier to pick and chose exactly the jobs they want—and these may not be auto parts stores staffer or countermen positions that appear poor paying, unexciting, and dead end. The *Automotive Marketing* Retail Panel found this to be a major area of concern for them. In all, 60% agreed with the statement: "It's going to be harder to find good help in 1989 than it was in 1987."



INVESTING IN THE FUTURE

Despite optimism, many retailers aren't making those important investments in the future. We asked if retailers would be investing in refurbishing, enlarging, or modernizing stores in 1988-89.

Source: Automotive Marketing Retail Panel

In fact, Joseph Francano, Sr., of Francano Tire Sales, Philadelphia, worries most about "getting good help" in the near future.

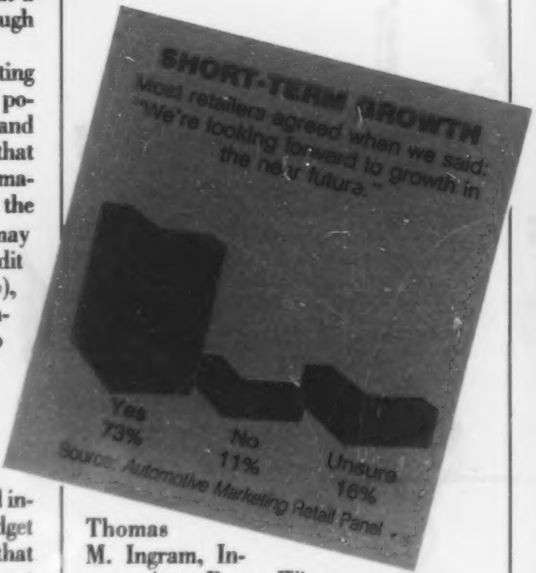
Another negative aspect of the tight labor market is rising salaries. In many areas, the so-called minimum wage is more like a bottom level wage, not an accurate picture of low wages. Starters in many retailing establishments are paid around $4.75 an hour, while some new fast food clerks are said to receive as much as $10 an hour in affluent suburbs. These high pay rates also feed a potential inflation.

Retailers have other long range worries as well. Parts proliferation continues to be one. Marvin L. Harris, Windsor Auto Parts Inc., Windsor, CO, said he worries about "the need for more inventory at a time when sales will not increase enough to cover the cost."

Retailers polled at the NRMA meeting did express concern over a number of potentially troublesome legislative bills and other problems. In all, 80% thought that trade protection measures will exert a major or moderate impact on retailing in the year. Other potential legislation that may affect retailing, they felt, were credit card finance cost containment (66%), parental leave bills (73%), and mandated health insurance (63%). On top of this, retailers say they worry about a shortage of hourly employees (18%), poor service (18%), over storing (17%), and a shortage of management talent (16%).

Many retailers believe that taxes will increase to help solve federal budget deficit problems. Most agree that the present tax structure has not helped—not even helped the business population it was intended to help. In all, 53% of the Retail Panel said that the changed tax laws have been bad for business. However, Joe M. Weller, Arrow Auto Store, Paris, IL, thinks "a tax increase will hurt, whether state or federal."

New car dealers may well bite into the aftermarket's business. In all, 60% of the *AM* Retail Panel agreed that "new car dealers will get an increasing share of aftermarket business in the near future."



SHORT-TERM GROWTH

Most retailers agreed when we said: "We're looking forward to growth in the near future."

Source: Automotive Marketing Retail Panel

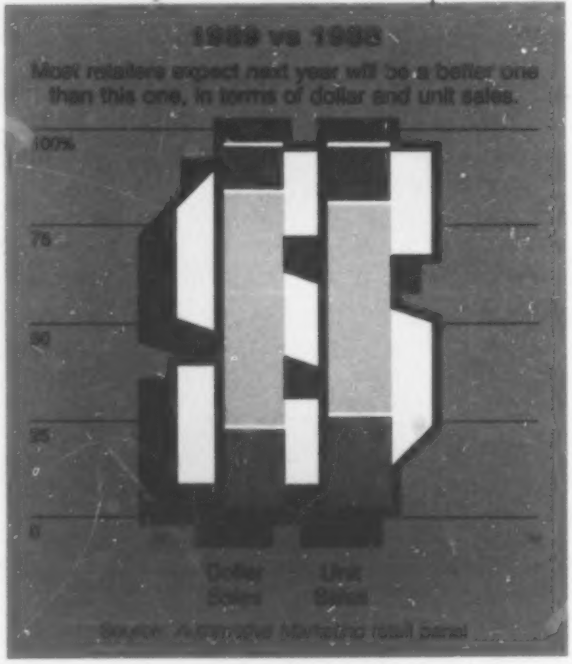
Thomas M. Ingram, Ingram Auto Parts, Winston-Salem, NC, is also concerned about "legislation allowing dealers to increase warranty service." And, of course, the proposed ten year/100,000 miles warranty worries retailers across the board. This leads Art Badgley, Art's Precision Automotive, Godfrey, IL, to predict a "lifetime OEM warranty on emission equipment."

These problems are not unsurmountable, it appears to most retailers. And, this being an election year when minds are on government officials, it should come as no surprise that most look towards electing right-minded government officials to solve these problems.

In addition to voting right, retailers have personal plans to ensure growth.

NRMA members said that containing costs would be a major project for retailers in 1988. More than half (52%) planned to reduce operating expenses in 1988. Of them, most planned cuts in payroll costs at stores (24%) or at headquarters (20%) and inventory levels (24%).

Most retailers, however, are just planning to "go with the flow," changing their strategies as events change. In a period of economic uncertainty, that seems to be as good a plan as any. ■



1989 vs 1988

Most retailers expect next year will be a better one than this one, in terms of dollar and unit sales.

Source: Automotive Marketing retail panel

■ Much better
▨ Same
■ Much worse
▨ Somewhat better
■ Somewhat worse

← (Circle 130 on Product Information Card)

WHY ACCESSORY INSTALLATION IS A GROWING BUSINESS

You don't have to install accessories to sell them, but it helps.

by **Edward L. Kaufman,**
Contributing Editor

Is it becoming a "must" to offer installation service to succeed in the automotive accessory business?

The answer is "no, not yet." And the answer may never be "yes—it's a must" because there is still a vast market for interior and exterior accessories—everything from stereo speakers to truck running boards—which can be installed by DIYers. But volume parts retailers have to consider that the proportion of accessory customers asking for professional installation appears to be increasing. (For a look as some of the reasons why, see our story "Why Accessory Installation Is Growing.")

Increasing Demand for Installation

Demand for installation service on automotive accessories is up, according to both chain stores that sell accessories on a "take-out" basis and an installed basis, and the operators of accessory boutiques. Offering installation service is clearly an advantage in selling accessories. Even chains which do not provide installation acknowledge that point. A top executive for a major parts and accessories chain said, "For us, the accessories business is good; possibly because we are increasing our advertising expenditures on accessories. We do not offer installation service and we don't intend to. The demand for service is there, no question about it. We know that we could sell more accessories if we could install them; but we lack the space and time to do this."

The questions are, then: Should chains that sell accessories to DIYers make installation available? Should they, for example, plan on including space for installation services in the next stores they build or remodel? Should they make the effort to hire and train accessory installers? Should they consider buying installation service on a contract basis? And, what can mass merchandisers and auto chain stores learn from the experience of the accessory specialists who feature installation? This month, we'll examine the installed accessories business from the viewpoints of:

- Chain stores, including automotive chain stores which sell accessories on both carry-out and installed bases.
- Accessory boutiques.
- Specialty service chains.

Chain Stores & Installation

Some of the exterior and interior accessories sold and installed by chain stores include custom wheels, side body molding and running boards, splash guards, bed liners, bug deflectors, lighting, stereo speakers and tuners, cruise controls and semi-fitted seat covers. The attitudes of automotive chains that install these accessories range from cautious to enthusiastic. The enthusiastic chains feel offering installation gives them significant advantage and many intend to expand their installation capabilities.

Crown Auto, Eden Prairie, MN, (recently acquired by Northern Automotive) has service bays at 55 of its 57 stores. Crown's service technicians mount and balance tires, replace a wide variety of hard parts and, when asked, install interior and exterior accessories.

"Most of our accessories are sold on a carry-out basis. Our customers are not afraid to tackle jobs which involve bolting on parts or stringing a little wire. Bolt-on accessories like splash guards and running boards are largely carry-out items as are speakers and stereo tuners," Crown Auto president Floyd Adelman said.

"When it comes to more complex work—cutting a hole in the top of the car for a sunroof, or installing cruise control—installation service is an asset, a safety net. People may prefer to do-it-themselves, but it is sure nice to know that service is available," Adelman said.

Guarantee Auto, Columbus, IN, (recently acquired by Nationwise) has 71 stores that all do bolt-on installation of light truck accessories such as running boards. In addition, about one-third of the Guarantee Auto stores do installation of "cut-in" accessories such as sunroofs and pass-through windows as well as electronic accessories. The chain has not, up to this point, felt it necessary to install complex accessories at all of its outlets.

Action Auto chain, Flint, MI, has service bays at 45 of its 62 stores. "We install some type of accessory at each of the 45 service locations, depending upon the ability of the personnel to do the work," Action Auto's Dick Sabo said. That is, some stores might install running boards but not pass-through windows; some might install stereo speakers but not cruise controls. It depends on specific capabilities at each location because in Michigan, mechanics are certified for specific work. A mechanic may be certified for brakes but not be certified for putting a pass-through window in a pick-up truck.

However, Action Auto has as one of its company goals, "to install everything we sell. We think that installation gives us an edge in the market place—a big advantage over stores which just sell on a take-away basis," Sabo said.

Chain stores which install accessories as well as sell them over the counter have two options on pricing:

- Add an open-ended labor charge to the retail carry-out price, the amount varying due to actual installation time.
- Offer flat prices on installed products, determined by experience. For instance, a $69 price on installed running boards, including installation, vs. a $49 carry-out price.

Based on a limited survey on this point, the general practice appears to be the latter option, flat prices. This involves analysis of average labor hours for installation. Mistakes may be made in calculating labor time, and pricing may have to be reviewed and revised periodically. But, the undeniable consumer appeal of flat pricing offsets this potential negative. Most consumers prefer to know up front what they will pay.

Profile of an Accessory Boutique

In the early 1970s, Jim Smoot opened an auto accessory boutique in St. Louis. By 1975, he had two boutiques, each

ACCESSORY INSTALLATION

grossing $500,000, in stores occupying no more than 1,500 sq. ft.

In *St. Louis*—one of the most conservative markets in the U.S.?

Yes. "Precisely because St. Louis is so conservative, other businessmen were confident that we were onto something. We started franchising our Fantasy Coachworks stores in 1982 and 1983. Today, we have 12 stores in Missouri, Illinois, Tennessee, Oklahoma, Texas and Florida; another 18 stores are on the drawing board," Smoot said.

The kinds of auto accessories sold by Fantasy Coachworks are not unique. The product line includes sunroofs, seat covers, fog and driving lights, ground effects, custom steering wheels, running boards, window louvers, sports car bras, radar detectors and stereos. It is the quality of the merchandise and the selling environment and service which distinguishes Fantasy Coachwork stores.

"Service is the key! We don't attempt to compete with DIY-oriented discount stores. They sell on only one basis: price. We sell only top-of-the-line products, we display them in a very attractive fashion

WHY ACCESSORY INSTALLATION IS GROWING

The installed accessory business is growing while the DIY end of the business seems to be shrinking. The main factors are changes in demographics and changes in technology.

An increasing percentage of vehicle owners are women. They are, traditionally, less inclined to be DIYers than men. In addition, the vehicle-owning population is aging. An increasing percentage of car owners are older, have more money to spend on installation, and have less time or inclination to do their own accessory installation. In addition, the increased complexity of the automobile has also caused some consumers to go to professional installers, especially for electronic accessories.

These trends benefit:

1. Accessory boutiques and car electronics specialists which feature professional installation, and
2. Those mass merchandisers and auto chain stores with the facilities and trained personnel to perform competent installation.

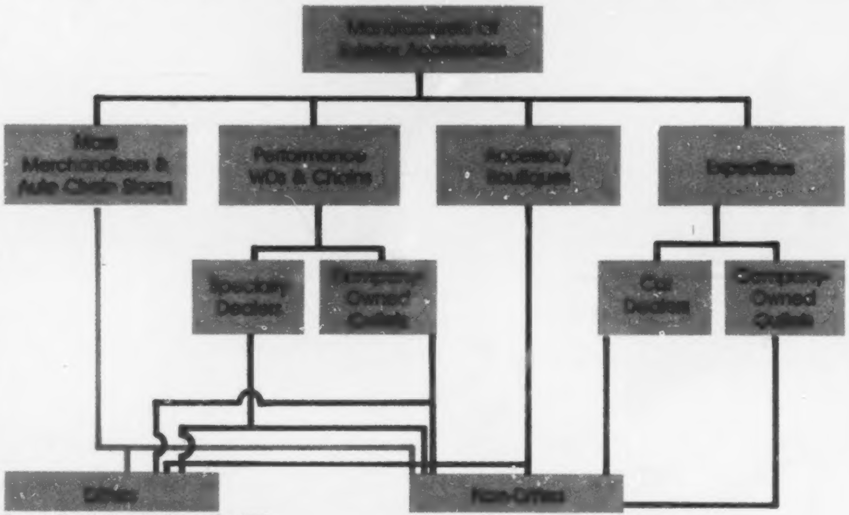
In addition to being able to reach a wider range of customers for accessories, those outlets which can sell accessories on an installed basis are able to reach higher price points and sell more of the larger, big-ticket items.

However, sales of domestic and foreign-make pick-up trucks continue to increase at rapid rates (relative to passenger cars), and the increase in the pick-up truck population has been a boon to retailers of exterior accessories. That's because these light trucks, for the most part, come "bare-bones" and have few if any exterior dress-up accessory options. These trucks attract the kinds of DIYers who like to dress-up and individualize their vehicles and who are not afraid to do-it-themselves.

CHANNELS OF DISTRIBUTION FOR EXTERIOR ACCESSORIES

There are four channels by which accessories manufacturers reach DIY and service-oriented customers. Few manufacturers serve all channels with equal success; they tend to sort themselves out by price points. For example, manufacturers who can reach the price points which attract the most price-minded DIYers tend to sell to mass merchandisers and auto chain stores. At the other end of the market, some manufacturers who provide higher-priced products deal with professional installers.

These days, vehicle owners are spending more of their disposable dollars on the outsides of their rigs. Going with the flow, "performance" WDs and their outlets are emphasizing appearance accessories, the same kind of items sold by the auto chain stores, but not necessarily the same makes with the same price points. They have merchandise for price-minded shoppers; however, as specialists, they tend to be more successful in selling their clientele up to the higher priced makes. As with the auto chain stores and mass merchandisers, the clientele of the specialty dealers tends to be heavily DIY. But, here too, there is a noticeable increase in demand for professional installation.



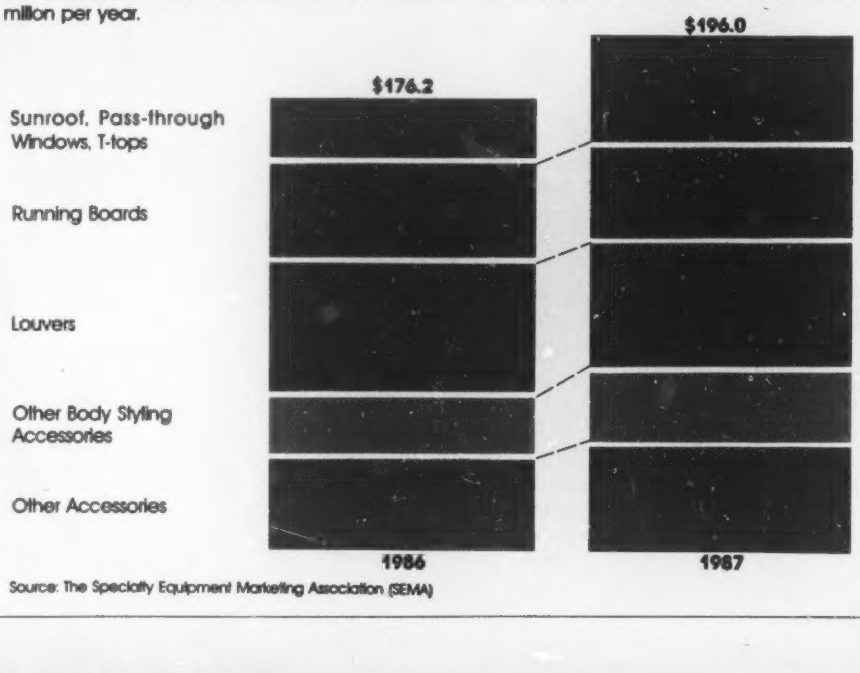
Source: The Lindsey-Kaufman Co., 1988

PROPORTIONS OF ESTIMATED SALES OF AUTOMOTIVE ACCESSORIES

(At the manufacturers' level in millions of dollars)

The Specialty Equipment Marketing Association (SEMA) has data on manufacturers' level sales of some of the more important categories of appearance accessories. The overall sales increase was from an estimated $176.2 million in 1986 to $196 million in 1987, an increase of 11.2% or about twice as much as the growth rate for the aftermarket as a whole.

The figure from SEMA does not include every conceivable type of exterior accessories. For example, it doesn not include estimates for truck bedliners which account for about sales of about $100 million per year.



Source: The Specialty Equipment Marketing Association (SEMA) environment, we have knowledgeable, courteous, smartly dressed sales people, and we install nearly everything we sell. In our opinion, service is the key to the auto accessory business. We approach it like any other high fashion retail business," Smoot said.

How does Fantasy Coachworks differ from other chains such as audio specialists and car detailers?

"We concentrate on high-fashion *appearance* accessories. We can install electronic items, but our stores lack the space to display extensive lines of stereo products and other electronic accessories. Our approach to the customer is different from that of Tidy Car franchises. Those shops started in car waxing and detailing and moved into the retailing of some accessory items. By comparison, the design and layout of our stores is more like that of a high-fashion apparel store. We devote about 500 sq. ft. in front of the store to an attractively decorated showroom. The rest of the space is used for product inventories and an installation bay," Smoot said.

Smoot has no trouble hiring or training competent installers of accessories. "Some of our installers have been car mechanics or auto body specialists. However, what really counts is attitude and motivation. Let's fact it, most of the things we install could be installed by do-it-yourselfers with a little patience and experience. Early in the game we fond that a lot of car owners lack the patience to do their own installation. Take car bras, for example; some car owners get frustrated it if takes them more than 15 minutes to put them on. Also, they get upset if they can't get a professional-looking job. Our installers tend to be handy people who have a professional attitude. They really care about doing the job right. With a little experience, they do quality installations very quickly," Smoot said.

Like many chain stores which install accessories, boutiques such as Fantasy Coachworks sell on the basis of flat prices for product and installation. The company calculates the average number of labor hours for each type of installation. For example, Fantasy Coachworks charges an installed-product price of $89 on sports car bras. By comparison, the car owner might have to pay about $60 for the item in a DIY-oriented chain store. Another example, more labor intensive, is running boards. Fantasy Coachworks charges $199 per pair on an installed basis, vs. a chain store take-out price of $89.

Others Selling Service

According to some accessories manufacturers, one of the fastest-growing trends is the movement toward upscale, installation-oriented accessory boutiques like Fantasy. These boutiques sell direct to service-oriented vehicle owners.

Competing with the accessory boutiques for the upper income customers trade who demand professional installation are the expeditors. They sell to both car dealers (for whom they can provide installation service in addition to prod-

TRUCKS MEAN BIG BUSINESS

The wholesale sales of pick-up truck bed liners totaled about $100 million in 1987 and so far in 1988, Peter Marr, president of Owens-Classic, a Sturgis, MI, manufacturer of light truck accessories, said.

"Bed liners are big business," Marr said. So are all other types of truck accessories.

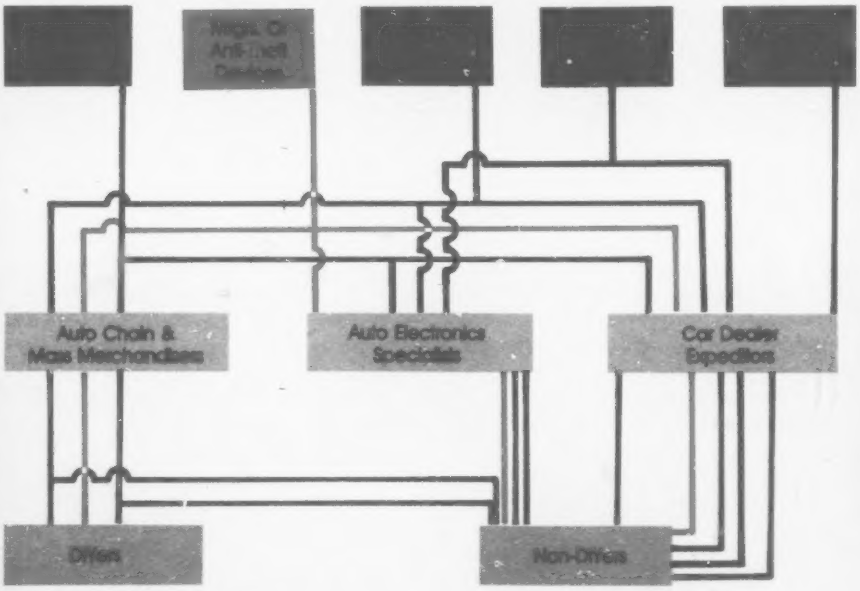
According to Marr, there can be considerable differences in growth prospects by product level. If sales of bed liners are large and relatively stable, sales of other light truck accessory categories can be more volatile. For example, Marr estimates that sale of running boards in 1987 were 25% higher than in 1986, that 1987 sales of brush guards and push guards doubled (on 1986 sales of about $25 million) and that 1987 sales of ground effects tripled (on 1986 sales of $4.5 million).

In contrast, sales of tailgate protectors showed no growth between 1986 and 1987. "This results from improvement in OE design; less need for truck owners to buy tailgate protectors in the aftermarket." Nevertheless, as sales of light trucks continue to boom, retailers can look forward to selling more of these types of accessories.

CHANNELS OF DISTRIBUTION FOR AUTOMOTIVE ELECTRICAL & ELECTRONIC ACCESSORIES

Although the primary audio customers for auto chain stores and mass merchandisers are DIYers, some chains are serving customers who demand professional installation. Not all auto chain stores have service bays at all, and not all of those are enthusiastic about installing audio products; they would rather use their service bays for faster turnover jobs such as tires or brakes.

Manufacturors of mobile air conditioners participate in this accessory market, mainly via sales of aftermarket type air conditioners to new and used car dealers via expeditors.



Source: The Lindsey-Kaufman Co. 1988

AUTOMOTIVE ELECTRONICS WITH THE GREATEST GROWTH PROSPECTS IN 1988-2000

40% Per Year Growth	Estimated % Factory-Installed By 2000
Electronic Restraints	7[illegible]%
30-40% Per Year Growth	
Navigation Computers	55%
Cellular Phones	1%
20-30% Per Year Growth	
Sound Systems	100%
Premium Sound Systems	40%
Wiper Controls	97%
Intelligent Wiper Controls (Measure Rain Intensity)	15%
Anti-Lock Brake Systems	8%
Anti-Theft Systems	9%
Electronic Locks	10%
15-20% Per Year Growth	
Engine Controls	
—Electronic Fuel Injection	100%
—Speed Controls	60%
Automatic Suspension Controls	10%
Seat Controls	60%
[illegible]	[illegible]

Source: The Freedonia Group Inc., Cleveland, based on its 1988 study "#210 OEM Automotive Electronics"

←(Circle 70 on Product Information Card)

ACCESSORY INSTALLATION

ucts) and to their own company-owned outlets.

In recent years, the ranks of expeditors who sell and install exterior accessories have increased due to the shrinking opportunities for car sound expeditors. Expeditors have experienced slower growth (if not actual declines) on car sound during the last five years because car makers have loaded their new vehicles with high quality sound systems. As a result, many expeditors who used to sell only electrical and electronic accessories have trained their personnel to install such "cut-in" accessories as sunroofs and pass-through windows.

Specialty Service & Accessories

Tidy Car, Boca Raton, FL, moved into installing accessories from its base in car detailing and "rejuvenating" services such as hand washing vehicle interiors and careful cleaning vehicle interiors.

The franchised stores are popular with female car owners. "We aim for the middle market because we feel there is great potential there. Most of our stores are in Middle America," president Dennis Pushkin said.

"We now do 20-25% of our business in installing accessories, including radar detectors, security systems, sunroofs, car bras, and window tinting," Pushkin said. Tidy Cars sells a security system with a remote activated alarm that has a special appeal to women, Pushkin said.

Another specialist that is now into accessory installation is Ziebart Corp., Troy, MI. Famous for its rust-proofing service, Ziebart got into the installed accessories business two years ago. Accessories already comprise 30% of its business.

"We entered accessories as a product diversification. One aim was to get new customers who would not ordinarily have their new vehicles rust-proofed," Jim Bender, general manager of branch operations, said. Ziebart also wanted to attract used car customers and spread its geographic base of operations. The shops install sunroofs, moldings, striping, window tinting, and security systems. In addition, the shops sell a line of truck accessories. Although some items are sold on a carry-out basis, most are installed.

Installation is probably a more important factor when it comes to selling electronic accessories than it is when selling bolt-on or appearance accessories. For a closer look at how retailers are doing selling and installing those products, see our story, "The Future Of Electronic Accessories." ■

THE FUTURE OF ELECTRONIC ACCESSORIES

There is one area of accessory sales and installation that particularly worries chain stores, and that is car sound.

Auto chains are still selling—and installing—car audio products but they sense problems ahead for this category. One executive said, "Our car sound business is still increasing. However, car makers are now loading their vehicles with high quality sound. As a result, there is less incentive for car owners to install aftermarket sound items. If this continues, there may be no more aftermarket sound business in five or ten years."

The auto chain stores installing sound items do so only at outlets where they have trained installers. Even then, the work performed, such as relatively uncomplicated installation of speakers, will be of the sort that many DIYers would attempt. In general, these outlets are leery about audio installation because of the trend to very complex, computer-controlled vehicles. What they fear is damaging a car's command computer while attempting to install an in-dash tape player or other audio times.

In contrast, expeditors and car electronic specialists pride themselves on capable personnel who can install complex, high-priced sound items.

The big question about the car sound business is, however, how much of it will the automakers leave for the independent aftermarket? Car sound is one of many products which originated in the aftermarket and was picked up by the car makers. When automobile manufacturers installed AM radios on 90% of their cars, the independent audio manufacturers responded by producing newer, better products for sale to the aftermarket such as superior FM/AM radios, then high fidelity speakers and tuners, upgraded annually; then audio tape players in a variety of formats; more recently, CD players.

But, virtually all of automakers are now aggressive about marketing high quality sound systems in their new cars. The result has been a sharp decline in sales of high priced audio equipment sold via the car dealers and electronic specialists who serve the new and nearly-new car market. The DIY side of the market, which is less dependent upon selling to buyers of new cars, has also been adversely affected. Moreover, some auto chain store executives believe that a long as car makers continue to load their new cars with high quality sound, the independent aftermarket is bound to shrink.

How large is the car sound business? That's a good question. There is no shortage of answers—they just don't happen to agree very much. Recently, the EIA (Electronic Industries Association) estimated 1987 retail sales of car audio, including both OEM and the aftermarket, at $3.8 billion. The EIA also estimated that the OEM accounted for $2.5 billion of the 1987 total, or 65.8%—leaving only $1.3 billion for the aftermarket.

Some other authorities believe that the OEM/aftermarket split is closer to 55/45%. If the latter estimate is accurate, it indicates that retail sales of car audio by the aftermarket amounted to $1.7 billion in 1987.

Despite the differences of opinion on the size of the car audio aftermarket, the consensus is that there will be tougher times ahead—particularly for the manufacturers of the higher quality items sold primarily via electronics specialists.

Jim Pedranti, vice president of Sparkomatic, Milford, PA, said, "The aftermarket sound business has shrunk slightly because of demographic changes, increases in the price of new cars, and better sound systems offered by car makers."

Pedranti also believes that the auto chain stores/mass merchandisers' share of the aftermarket audio business has shrunk from about 50% to 40% because more customers are buying higher-priced audio in installation-oriented outlets.

Some car sound makers are responding by putting more emphasis on the other lines of electronic products such as keyless entry systems, anti-theft devices, and cellular telephones, plus electro-mechanical items such as cruise control and power window openers and locks.

Manufacturers of mobile air conditioners participate in the electronic accessory market, with sales of aftermarket type air conditioners to new and used car dealers via expeditors. One AC manufacturer, ARA Manufacturing, Grand Prairie, TX, also sells a full line of electronic accessories.

ARA has its own network of 22 service centers; these sell and repair air conditioners. In addition, ARA is opening its own retail centers to sell and install a broad range of electronic accessories. Included are stereos, security systems, keyless entry, power windows and locks and cellular phones.

ARA is bullish about demand for installation of cellular phones and on demand for service of automotive electronic accessories. Frances Laidlaw, manager of market development for ARA, said, "Service is the growth segment in the automotive aftermarket. People are keeping their cars longer so there is greater need for replacement," she said.

"We are getting more into service because it is a growth area. Also, it is an area where we can differentiate ourselves. Manufacturers of air conditioners all buy their major components from the same sources. The thing that really differentiates us is our level of service. We had not focused on retail service in the past, but now we are—that's where the growth is."

EMPLOYMENT: A CRITICAL ISSUE

WHO WILL MIND THE STORES?

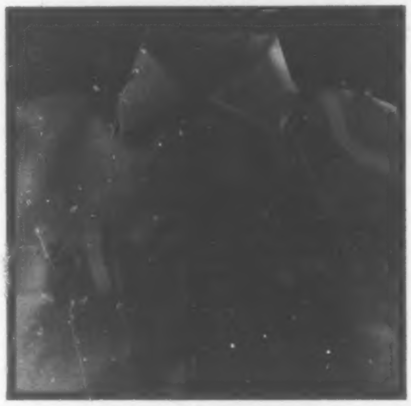
Who will work in the aftermarket in the future? The experts say changes must come in how we recruit, retain, and train workers if the outlook is to be any brighter.

by **Gail Krueger-Nicholson,**
Managing Editor

In April, we looked at who is working in aftermarket stores today as sales clerks, stock room helpers, countermen, assistant managers, and other hourly employees. As the shortage of entry level workers becomes more serious, this article looks at the issue of who will work in the stores in the future.

The aftermarket workers of the future will have to be more technically oriented than ever before because of the extensive use of computers in the stores, in the service bays, and on the vehicles. And future aftermarket workers will have to be more customer and customer-service-oriented than their counterparts today, according to a profile of future workers developed by the White House Task Force On Human Resources Development.

The Task Force is a recently formed industry group that is trying to answer the question of who will work in the aftermarket tomorrow. The group, made up of members from the Automotive Parts & Accessories Association (APAA), the Automotive Warehouse Distributors Association (AWDA), the Motor Equipment Manufacturers Association (MEMA), the Automotive Service Industry Association (ASIA), and the Automotive Service Association (ASA), has met twice in Washington, DC, behind closed doors.



"So far, we have agreed that problems of recruiting, retaining, and training workers are nation-wide problems, and not just the problems of a particular association. It is beyond the scope of any one association. And, we have agreed that there is a need to study these problems," Jim Fine, chairman of the Task Force and past chairman of AWDA, said. As its first step, the group plans to identify materials the associations may already have on recruiting, retaining, and training workers and make sure the information is available to everybody in the aftermarket who needs it.

The worker profile that the Task Force has developed will be a hard role to fill based on today's hiring practices. Retail stores use the same recruitment techniques today that they did in 1950, according to a National Retail Merchants Association (NRMA) study called "An Assessment Of Labor Shortages In Retailing." (Some 88% of retailers still rely on "walk-ins" as their primary recruitment means.) The minimum wage is still the going rate in most aftermarket stores. (Some 40% of our Retail Panel members said the average starting wage for hourly help hired in their stores in 1988 will be between $3.50 and $4 per hour.) And, so far, only a few innovative ideas on how to find, hire, and keep those technically oriented, customer service-minded, aftermarket employees of the future have been generated by aftermarket employers. (For a look at how our Retail Panel members currently recruit and hire new employees, see the charts that accompany

WHO WILL MIND THE STORES:

HOW DO THEY FIND NEW EMPLOYEES?

We asked our Retail Panel: "What do you do when you need to hire new sales clerks, stock room helpers, countermen, and assistant managers?" Most stores turn to their current employees for help.

Put A Want Ad In The Local Newspaper	44%
Put A Help Wanted Sign In The Window	12
Get Referrals From Current Employees	65
Hire Relatives Of Current Employees	10
Recruit At Local High Schools And Vo-Tech Schools	47

Source: 1988 *Automotive Marketing* Retail Panel
Percentages may not total to 100% due to rounding and/or multiple answers.

WHO WILL MIND THE STORES:

HOW DO THEY INTERVIEW?

We asked our Retail Panel: "How long do you take to interview potential new sales clerks, stock room helpers, countermen, and assistant managers?"

More Than 1 Hour	9%
At Least 1 Hour	15
30 To 40 Minutes	21
15 To 30 Minutes	44
15 Minutes Or Less	12

We also asked our Retail Panel: "Do you interview potential new hires in person, over the phone, or both?"

In Person	83%
Over The Phone	10
Both	7

Source: 1988 *Automotive Marketing* Retail Panel
Percentages may not total to 100% due to rounding and/or multiple answers.

WHO WILL MIND THE STORES?

this article.)

But retail industry experts say that new ideas must come from somewhere. Here's a look at some of the changes – changes in attitudes, recruitment, training, and pay methods – that the experts say will have to be made in order to meet the aftermarket's future staffing needs.

The Management Connection

The first thing that will have to change is management's attitude toward employees, according to Sherman Titens, president of the Fromm Institute and strategic planning consultant for AWDA, Kansas City, MO.

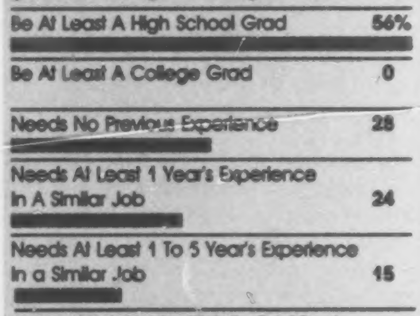
"Management has to change. There has to be a new awareness of ourselves, a new value system that recognizes that the stores' overriding function is to satisfy the customer, not to sell parts. But that can not be done until we – the management – buy into that idea from the top down," Titens said.

"Buying into it" means using a different attitude when you hire, according to Titens. As long as management hires against a task, to just fill a job, there will be problems hiring quality people, he believes. "If the idea is just to fill a job, you will only get job fillers for employees," Titens said.

WHO WILL MIND THE STORES:

WHAT REQUIREMENTS DO THEY HAVE?

We asked our Retail Panel: "What requirements do you have when you hire new sales clerks, stock room helpers, countermen, and assistant managers?" Most want high school graduates with good driving records.

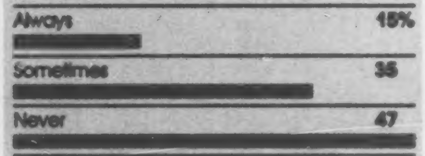


Source: 1988 *Automotive Marketing* Retail Panel
Percentages may not total to 100% due to rounding and/or multiple answers.

WHO WILL MIND THE STORES:

DO THEY HAVE JOB DESCRIPTIONS?

We asked our Retail Panel: "Do you have, and give, written job descriptions to potential new sales clerks, stock room helpers, countermen, and assistant managers?"



Source: 1988 *Automotive Marketing* Retail Panel
Percentages may not total to 100% due to rounding and/or multiple answers.

His words are echoed by Alice McCord, senior vice president for research with the NRMA. "Retailers have to know what they are looking for in an employee. Instead, they tend to just look at filling out a schedule with warm bodies and at nothing else. They should look for enthusiastic, action-oriented people, people who are interested in the product they sell. It is a harder way to hire, but worth it in the long run. The stores are open more hours, there are more part-time people, there are more part time attitudes. If you want better employees, you have to go out after them."

Titens believes he knows how to get those employees. "You have to change the focus of why you are hiring. So long as the focus is just on the job, you will have difficulties. It means saying to a potential hire, 'Let me you tell you what we're all about and where you will fit in' instead of 'I need a counterperson.' It means thinking of that next hire as somebody you'll bring along in the industry, not just a new guy behind the counter."

It means that management must buy into the idea that the new hire is a part of a bigger picture, Titens claimed. "If management doesn't buy into that idea, all they will ever be able to hire is a guy who can only get a job for $3.35, and he will leave as soon as somebody offers him $3.45," Titens said.

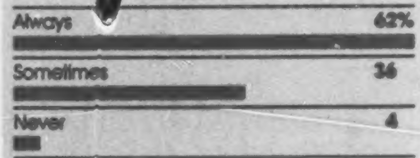
It's not all pie-in-the-sky, either. Some retailers have been very successful in doing just what Titens and McCord talked about. Trak Auto, based in Landover, MD, is one of them.

"We look to balance satisfaction, dissatisfaction, and motivation factors with each employee. We are not always successful because there are some things we can not change – like the need to have the stores staffed nights and weekends 92 hours per week," Dan Garcia, director of personnel for the 212-store Trak Auto chain, said. Trak has about 1,500 hourly employees, Garcia said.

WHO WILL MIND THE STORES:

DO THEY CHECK REFERENCES?

We asked our Retail Panel: "Do you ask for, and check, the references of potential new sales clerks, stock room helpers, countermen, and assistant managers?"



Source: 1988 *Automotive Marketing* Retail Panel
Percentages may not total to 100% due to rounding and/or multiple answers.

"We try to help each individual reach a comfort level here. We try to help them, but they have to decide if they like the hours, like working with people. Some just don't like it and that causes a lot of turnovers. But those who stay know there really is a place here for them," Garcia said.

Looking For A Few Good Employees

So where will the aftermarket's future employees come from? Most aftermarket retailers feel tomorrow's hourly employees will probably come from the same places they come from today.

"In five years they will come from the traditional places that you would expect them to come from. You hear a lot about hiring the elderly, but for us the elderly are a small market, we get a few of them, but only a few," Trak's Garcia said.

But retailers will have to look beyond the "traditional" places if the aftermarket is to meet its future staffing needs, NRMA's McCord said. Recruitment – active, long-range recruitment – and inspired hiring techniques will be needed.

"Most retailers have not changed the way they hire – they depend on walk-ins. And that's fine, but they need to reach the dwindling number of young people through methods young people respond to such as radio and TV. So far, most retailers seem reluctant to try new methods," McCord said.

The Nationwise/Guarantee chain is one aftermarket retailer that is out to do things differently. "In five years from now, I don't see things as being very much different – just harder. There will still be a shortage of people. People will move from one job to another, and jobs in retailing do offer more than jobs in fast food," Andrea Hoy, director of personnel for the combined 255-store Nationwise/Guarantee chain said. Based in Columbus, OH, Nationwise/Guarantee employees about 2,500 hourly people, about 500 of them part-time, Hoy said.

Making young people aware of the opportunities available with Nationwise/Guarantee is a big part of Hoy's job and is part of the company's long-range strategy for success. "We do a lot of recruiting at vo-tech schools. That involves going to all the careers days held by local schools where they invite employers in from the community. We also hold our own career days in the stores. At those days, we make all sorts of people available – managers and regional people. We have a real good response to this because of the level of

WHO WILL MIND THE STORES?

people involved. We show young people that we are serious in our interest in them. Yes, it takes a lot of preparation, but it is worth it," Hoy explained.

"All of us (aftermarket retailers) have to be real creative in finding new ways to attract new people, other types of people than we have in the past," Hoy added.

"So where do you get young people today?" AWDA's Titens asks. "You go to churches, even prisons, and vo-techs of course. But that can require a professional personnel manager, or at least a store manager who is committed to creative hiring. But most of all, you need to make all of your managers realize that creative hiring is part of each day's job, not just an occasional task to be done when there is a vacancy. Then, it's too late. There are no quick fixes. First you must design a process," Titens said.

Training: What Part Of The Process?

How will training have to change in or-

WHO WILL MIND THE STORES:

DO THEY TEST?

We asked our Retail Panel: "Do you give the following tests to potential new sales clerks, stock room helpers, countermen, and assistant managers?"

Aptitude Test	12%
Job Skills Test	18
Intelligence Test	10
Drug Usage Test	1
Lie Detector Test	5
No Tests	54

Source: 1988 *Automotive Marketing* Retail Panel
Percentages may not total to 100% due to rounding and/or multiple answers.

WHO WILL MIND THE STORES:

ON THE JOB TRAINING

We asked our Retail Panel: "Do you give new new sales clerks, stock room helpers, countermen, and assistant managers any on the job training?" The answers of those who said yes ranged from complete company-sponsored programs to pairing up a new hire with an experienced worker.

Yes	90%
No	10

Source: 1988 *Automotive Marketing* Retail Panel

WHO WILL MIND THE STORES:

HOW MUCH WILL THEY MAKE?

We asked our Retail Panel: "What will be the average starting wage of the sales clerks, stock room helpers, countermen, and assistant managers you hire in 1988?" Most said it would be less than $5.00 per hour.

Will Pay Between $3.50 And $4.00/Hour	40%
Will Pay Between $4.01 And $450/Hour	14
Will Pay Between $4.51 And $5.00/Hour	23
Will Pay Between $5.01 And $5.50/Hour	4
Will Pay Between $5.51 And $6.00/Hour	6
Will Pay $6.01 Or More Per Hour	2

Source: 1988 *Automotive Marketing* Retail Panel
Percentages may not total to 100% due to rounding and/or multiple answers.

EASING THE PAIN

Since the pool of potential entry level employees is simply not going to grow in the foreseeable future, just what can store managers do to ease the pain of labor shortages? Very little until industry-wide attitudes on employment change, according to retailing experts. But, in the meantime, there are interim steps that can be taken by every retail aftermarket chain to improve employee hiring and retention.

Our list of actions comes from a variety of sources including the National Retail Merchants Association (NRMA), the Automotive Warehouse Distributors Association (AWDA), the Management Horizons Div. of Price Waterhouse, and the Administrative Management Society (AMS).

- Focus on the 19-year-olds and older.

It has been shown that increasing the average age of a store's employees by only one year will significantly reduce the turnover rate, absenteeism, and lateness. In addition, experience has shown that recent retirees make very good, reliable part-time employees.

- Experiment with employing the mildly handicapped.
- Reach out to "stay at home" mothers by offering child care or child care assistance programs.
- Establish permanent relationships with community institutions.

You could develop an "adopt a school" program to bring interns into your stores to experience work life in a "real life" learning environment.

- Develop a hiring profile.

Seek out, for instance, potential employees who are people-oriented extroverts. Don't rely on "walk-ins" as your primary form of recruitment.

- Direct extended training programs toward educational development, not just routine.

Remember that training should be an on-going aspect of everyone's job, not just one-time "enrichment" or "familiarization" programs. Offer training and tuition reimbursement.

- Develop training programs to modify the attitude and self-image problems of some youthful employees.
- Provide clear evidence of positive top management involvement. Get out there on the sales floor.
- Evaluate leadership style.

Recognize that the "best" organizations feature mutual respect, open communications, understanding, and acceptance of authority. Review the way top management thinks of, and refers to, hourly employees. Reduce distinctions of rank. Encourage open communications between managers and hourly employees.

- Evaluate the value of the work your hourly employees do.

Introduce variety and diversity. Increase job difficulty with tenure and pay; expect more and give more. Support routine and mundane tasks with technology and enlarge the job as a consequence.

- Promote from within whenever possible.

Develop possible "career paths" for hourly employees; from stock room helper, to cashier, to floor salesperson, for example.

- Expand incentive pay systems.

Bonuses for good and excellent job performance, on-time reporting, lack of absenteeism, referrals of potential hires, and other positive job actions build employee loyalty. Also consider profit sharing and bonuses tied to gross margin improvements as alternatives to pushing up the overall pay scale.

- Emphasize quality.

It's hard for an employee to happy in a job where he is part of a company that gives poor service and/or always settles for second best from its managers and employees.

- Encourage employees to participate in community service. In addition to creating a feeling of teamwork, these service activities provide good public relations for the store.
- Provide at least a minimal medical and exercise program.

WHO WILL MIND THE STORES?

der to produce the technically oriented, customer-service-minded employees that the aftermarket will need? That question is up for debate. On one hand, Titens feels that technical training will be very important, but that training without career path development is just so much familiarization. On the other hand, McCord believes that the value of training is out weighed by the value of good recruitment processes. Retailers seem to be somewhere in the middle.

"Training and development are an important factor in what we try do do here," Trak's Garcia said. "If there is more potential to move in the company, workers are more likely to stay. We try to have our managers identify those employees who like the business, who have potential for growth in the company. We train all of those who look promising for first level management positions. There is lot of opportunity for growth," Garcia said.

But that kind of long term commitment to career path training is not always possible. "Of course, this is one place where the larger retailers have quite an advantage. They can offer career paths—from stock boy to cashier to sales person. Realistically, the smaller stores are stuck with $3.50 per hour jobs because the the next step up is owner," Titens admitted.

"I really believe that training in the retail industry has become a Catch 22," NRMA's McCord said. "It may not do much good after all. The industry has not done a good job of encouraging young people to think of it as a career. The industry does not want to spend the time and money to train employees only to have them turn around and leave. But if they don't train them, the employees can't think of it as a career. I'm not sure training does much good, I think recruitment—getting the right people in the stores in the first place—is more important," McCord said.

Nevertheless, automotive retailing demands a level of technical knowledge that other types of retailing do not. And that knowledge still has to be imparted to new employees, somehow.

"I believe that as retailers, we are going to have to figure out how to train faster, in a shorter period of time. Right now, I don't know how to do it but we must make our systems more simplified—like fast food cash registers—so we can train faster and successfully train people with less skills than we are used to," Garcia said.

"If the average stay of a cashier is three months, and it takes you a month to train him on the register, you only have two months of productive time. It will be the same thing with the more skilled workers like countermen. For instance, electronic catalogs will mean anyone can be trained to look up a part number. Our marketplace is not going to change, so retailers must," Garcia added.

The Money Factor

The final thing that will have to change before the aftermarket can meet its future staffing needs, the experts say, is how the aftermarket pays its employees.

More than one half of our Retail Panel members told us they pay established hourly employees between $4.51 and $6 an hour. But 40% of them said the average starting wage for hourly help hired in 1988 will be between $3.50 and $4.00 per hour. Another 19% said those employees hired in 1988 will still be making that amount after six months on the job. Yet many of them also said that what they pay is simply not enough to attract the quantity of qualified employees they say they need to adequately staff their stores. "You get what you pay for," one Retail Panel member noted.

And most retailing experts agree with him. "Because the ability to earn has been reduced, the retail industry no longer employs a career-oriented person. There are more part-time people, there are more part-time wages, and there are more part-time attitudes," NRMA's McCord suggested.

A bill before the House of Representatives that would increase the federally mandated minimum wage from $3.35 to $5.05 an hour could end all aftermarket debate on the value of minimum wage. But the bill won't solve the "you get what you pay for" problem for most retailers. Solving that problem will take re-thinking some retailing basics.

"To begin with, retailers could switch to full-time employees and increase pay levels to increase employee loyalty. We can not continue to pay minimum and get the quality we are seeking," McCord said. "It's not totally unrealistic to reduce the number of people you pay, and pay the rest more," McCord said.

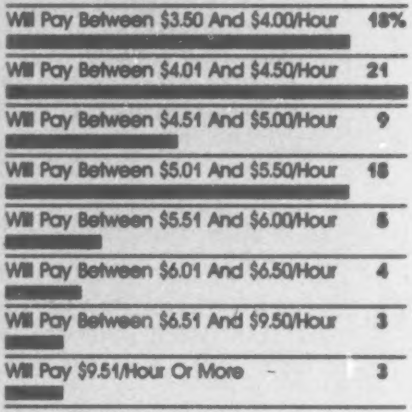
"There are only three ways to make a profit: increase sales, increase gross margins, or increase net profit," Titens said. "Once you realized that labor does not have to be held at $3.35 in order to make goals you can move beyond that trap," Titens added. Both Titens and McCord recommend using bonuses and incentives as alternatives to pushing up the overall pay scale.

But all of these changes may only be stop-gap measures, McCord said. "In the

WHO WILL MIND THE STORES:

HOW MUCH WILL THEY MAKE AFTER SIX MONTHS?

We asked our Retail Panel: "What will be the wage of the sales clerks, stock room helpers, countermen, and assistant managers you hire in 1988 be after they have been with you six months?" Most said it would be less than $5.00 per hour.

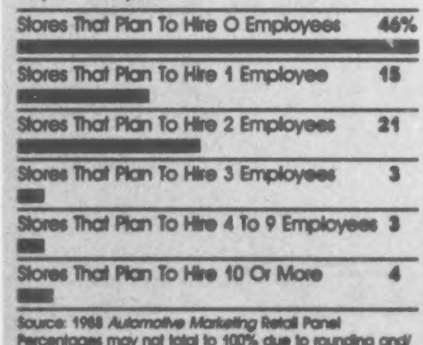


Source: 1988 *Automotive Marketing* Retail Panel
Percentages may not total to 100% due to rounding and/or multiple answers.

WHO WILL MIND THE STORES:

HOW MANY DO THEY PLAN TO HIRE?

We asked our Retail Panel: "How many sales clerks, stock room helpers, countermen, and assistant managers do you plan to hire in 1988?" Most stores, 46%, don't plan to hire anyone this year.

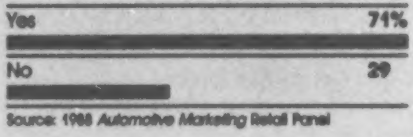


Source: 1988 *Automotive Marketing* Retail Panel
Percentages may not total to 100% due to rounding and/or multiple answers.

WHO WILL MIND THE STORES:

IS GOOD HELP HARD TO FIND?

We asked our Retail Panel: "Do you have trouble hiring good, skilled sales clerks, stock room helpers, countermen, and assistant managers to work in your store?" Most said they did.



Source: 1988 *Automotive Marketing* Retail Panel

WHO WILL MIND THE STORES?

end, we are all going to have to learn to retail differently, to use our dwindling staffs where they will have the most impact."

The *Automotive Marketing* Retail Panel found that labor is a major area of concern for retailers. In all, 60% agreed with the statement: "It's going to be harder to find good help in 1989 than it was in 1987." And unless things change, the percentage of retailers agreeing with that statement is likely to rise. ■

THE MEDIA IS THE MESSAGE

As a store manager, you've probably had difficult days when it seemed like none of your employees listened to you. You asked a stock clerk to clear out the back room, and he swept the store instead. You asked a sales person to spruce up an end cap, and she built a bulk oil display instead. You probably ended those days saying, "Why don't these people listen to me?"

William Huckabee, president of the Columbus, OH, personnel consulting firm of C.W. Ress & Associates Inc., has wondered the same thing. His company has studied what it calls the "context" of floor personnel (cashiers, sales clerks, and others) and their supervisors. Huckabee defines "context" as a point of view that guides how each person sees, hears, and feels the world around him.

What he found out about context may make your job, the job of communicating clearly with your employees and motivating them to do their best, easier.

Surprisingly, people who work at a particular job within a particular chain essentially all have the same contextual structures while on the job, according to Huckabee. That structure may change somewhat when they are not on the job, but on the job *80% or more* of the people who do that job have the same contextual outlook, Huckabee said. (Incidentally, Huckabee adds that 80% of the people who shop in your store with any frequency also have similar contextual structures to each other.)

Not so surprisingly, floor level personnel and their supervisors *do not* share the same contextual structure. Hence, when it seems like your employees are not listening to you, it may be that they are just not hearing you.

There are at least five "sticking points" where the differences between floor personnel and supervisors' contextual outlooks make a difference.

- Sensory Channel: Hear vs. See

The sensory aspect, or context, of a message has a lot to do with whether the message gets through or not, Huckabee said. Huckabee found that the best supervisors were more auditory than visual. They were good listeners, spoke clearly, and expected that once they spoke their directions to floor personnel that those directions would be understood and followed. On the other hand, Huckabee found that the best floor personnel were visual. To ease this mismatch, Huckabee recommends that supervisors show rather than tell floor personnel what to do.

- Information Scope: General vs. Specific

Closely related to the sensory context is the information scope, the "chunk size," of the content you want to communicate. Huckabee found that the best supervisors tended to deal in larger chunks of ideas than the floor personnel. This is appropriate, Huckabee said, because the sales clerks have lots of little pieces to deal with while the supervisors have larger scopes of responsibility. Supervisors may need to "chop" their ideas into smaller pieces to fit the contextual scope of the floor personnel. And, taking the time to give floor personnel an overview of the "big picture" helps ease communication as well.

- Motivational Mode: Pro-active vs. Reactive

The best supervisors are the ones who initiate action, who figure out what needs to be done and do it. Huckabee calls these people pro-active. On the other hand, Huckabee found that most floor personnel are reactive. They tend to wait and see what needs to be done and then carry it out. Reactive does not mean that when supervisors say "jump" floor personnel ask "how high?" It means that within reasonable limits, floor personnel take what comes. The basic aspect of the reactive mode is not to do, but to think. So when orders go beyond what they think is reasonable, floor personnel may do what is asked but may not do it very well because they have not had time to think about it.

If instructions are communicated in the appropriate context—visual and small—chances are that supervisors' day-to-day orders will be carried out without a hitch, Huckabee said. However, if an order affects floor personnel in a big way, like asking them to stay late or switch days, it can be upsetting to these reactive people, according Huckabee. He recommends that when you have major changes, work hard at including floor personnel in the changes and get them to study them and tell you their reactions. Then later, when the orders finally come down, they will know they have been fully thought out and will be glad to go along with new things.

- Decision Source: Internal vs. External

Supervisors tend to be internal, that is, they are comfortable making decisions. Floor personnel tend to be external, that is, they like to have their decisions validated by an outside source, according to Huckabee. Most of the time, the supervisors makes a decision, and that in itself is enough to validate the decision for floor personnel.

But, according to Huckabee, being external also means that floor personnel tend to need much more recognition and rewards than supervisors. Supervisors *like* to be told they have done a good job, but good supervisors don't live for such recognition. Floor personnel, in general, *need* those pats on their backs. This is not because they are ego maniacs, but because they simply *don't know* they are doing a good job unless they are told.

- Content Orientation: Things vs. People

Floor personnel tend to be people-oriented and they are not always comfortable with the systems and the things of retailing. They are more concerned about relationships; making customers happy on the positive side, and not being embarrassed by supervisors on the negative side. On the other hand, the best supervisors are more systems or things oriented, according to Huckabee. Their concern is not so much about a pleasing relationship with their subordinates, but with getting a task done, meeting a goal. To make the difference workable, the most important thing a supervisor can do is learn to recognize people, sincerely, personally, everyday. Also, remember to blame in private and praise in public, Huckabee said.

"To be successful in communicating effectively with employees is to place the content of the message you wish to get across into a context that allows the employee to share the same meaning," Huckabee said. To put it another way, the communication is the response—what a person *thinks* you mean—to what you say.

REPS MAKE HARD CHOICES

Will the manufacturer's reps be odd men out in the aftermarket as a result of the market changes? Here's a look at the hard choices the reps face.

by **Rosemarie Kitchin**, Editor

In today's retail automotive aftermarket, the three parties in the selling equation – the chains, the manufacturers, and the reps – are all reacting to pressures.

Retail chains are reaching to the bottoms of their pockets for sufficient funds to support their growth. If they're not expanding, auto parts chains are watching with trepidation as the "big chains" move their way.

The manufacturers are seeking to retain acceptable profit margins while still meeting their customers' requests for lower prices, longer payment terms, and higher support in terms of merchandising funds.

And the independent reps who bridge the gap between the suppliers' factories and the retailers' store shelves are faced with some very difficult choices.

Many of those choices have been brought into sharp focus recently by the Pep Boys move to consolidate its western buying offices with its home base buying offices in Philadelphia. That move has cause reps firms on both coasts to scramble. On the West Coast, rep firms are trying to fill in those now missing Pep Boys sales. On the East Coast, native rep firms are reinforcing their customer base against an onslaught of western reps who have followed Pep Boys. The Pep move, the Chief Auto Parts Inc. move from California to Texas, and other moves by retailers (and manufacturers) have caused many rep firms to re-examine how they do business; have caused them to make hard choices.

Some reps have chosen to expand their territories, some have opened new offices to follow relocating customers, somehave merged with other rep firms, and some have added services. Here's a look at the choices some rep firms have made.

Rep Who Expanded

"It's nothing abnormal or unique," David Weiss, Marc Alan & Assoc., River Edge, NJ, said about the current expansion movement among rep firms. "There are one or two rep organizations which are expanding. That's unusual, but there's no groundswell of firms doing this. There are three or four firms which seem to be following large accounts, or annexing territories to maximize their business."

Weiss's firm opened a Mid-Atlantic office this spring to expand its geographic territory into Philadelphia, Baltimore, and Washington where several of the largest accounts are headquartered.

Weiss's firm is not the only one which has opened new offices to expand its marketing area. For instance, Harvey Altman, Pacific Automotive Representatives, North Hollywood, CA, said his firm plans to expand its sales calls into adjoining states, states where it hasn't been before. But he's also emphatic about servicing his firm's current, local customers.

"I'm on record with half a dozen of my manufacturers. I've told them, 'You as a vendor care about service. You want people who know and understand the area, who share and perform in the support systems you need', " Altman said.

While it's expanding its marketing area in contiguous states, Altman's firm has chosen not to follow the Pep Boys' buyers to Philadelphia. "Each manufacturer should keep every rep in every territory involved (with the local customers) because they know and understand the locales," he said. "The issue at hand is there is nobody in Pennsylvania waiting with open arms to embrace new reps coming into the territory."

Dick Salsitz, Dick Salsitz & Assoc., Fullerton, CA, is another rep firm that has expanded. Salsitz found a "nice firm," Joseph Stroum Co. Inc., Seattle, doing business in the states of Oregon and Washington and is in a joint venture with it. Eventually, Salsitz said, the joint effort will be a buy-out. And, he said, "We're lucky. We didn't have any conflicting lines, so there were no choices to make about who to represent. But we are able to expand some lines into our new states."

Unlike others, Salsitz decided not to follow his relocating customers to new headquarter cities. While he thinks that he might have been able to represent his suppliers to a relocating major customer, he said, "But I don't know the little part store down the street from the big customer. I know the two major buyers (at the major account) but couldn't do my suppliers justice with the other accounts in that new area. The only way to do that is to buy an agency. I don't have the money, and I don't want the coast to coast travel, either."

Commenting on the general state of the rep business in California since the Pep Boys move east, Salsitz said, "It's been crazy out here: this thing has been hard for us as it has been for other rep firms."

He talked about an experience he had had when a major customer of his became a multi-territory account. "When Chief opened a warehouse in Texas, I called my factories and told them to give the Texas reps commission for that warehouse. I got

HARD CHOICES

How To Combat Invasion

David Weiss of Marc Alan & Assoc. is president of the Organization of Manufacturers Representatives (OMR), an automotive-plus-other-industries trade group organized in 1986 to combat Wal Mart's policy against buying products through independent manufacturer's reps. We asked what advice he would give to rep firms "who are getting new rep neighbors in their territories."

AM: What should hometown firms do?

Weiss: They should be more aggressive and do an excellent job. It's like a new retail chain coming into your neighborhood. You go head to head with the new competition. You do the better job.

AM: What can firms who choose not to follow their major customers do?

Weiss: They can take on new lines, expand their repping services into other fields and markets (hard parts vs. accessories, allied lines, home improvement or drug chains which stock some automotive products).

AM: How is OMR coming along?

Weiss: Unfortunately, formal activity from OMR seems to be ebbing. There's no support. Until a problem confronts a territory, no one wants to pitch in and help a national organization. Everyone feels that it can't happen to them and 'why should I work for Texas?'

I spoke at a hardware booster conclave. Got polite interest. A month later, one of their accounts tried to stop reps, and then 15 calls came in.

AM: So, what else should OMR do?

Weiss: Not just the members of OMR. All reps should work together to fight any decision to oust us, whether it's by a national account, or by manufacturers who decide we aren't needed for the "super accounts" developing in some territories.

AM: Anything else?

Weiss: Yes, reps are still the most efficient way to get many products to market.

telephone calls from reps in Texas saying 'thank you'. Now that Chief's moved its buying to Texas, I don't get the commission on the Chief warehouse in California. That, too, is the result of phone calls to my suppliers, but this time from Texas reps."

Salsitz said that he's resigned to losing the commission from the big accounts which moved away and will work hard in his existing, remaining accounts, and with his new joint venture firm. "And I'll be content. I'm just a small town boy brought up on handshakes."

Reps Who Opened New Offices

One rep firm, Rognlien, Wright & Harrison, Gardena, CA, had a plan well in place before major customers began to relocate. The firm was created in 1982 by Jim Wright, now its president, and David Rognlien, its chairman. With a combined 28 years of experience with their former company, the two men decided to cover the entire West Coast.

This was a revolutionary move in some ways, because serving the seven Western states along with Alaska and Hawaii meant crossing the boundaries of "holy territories." "Holy territories" is the term for the specific geographic areas manufacturers have assigned to particular reps and reps firms for several decades.

Wright opened the firm's Seattle office in Fall of 1982. The Seattle office serviced the Schuck's account, now the Northern Automotive megachain, which is serviced by the firm's Phoenix office.

"Overall, our goal as a representative for our manufacturers is to service the customer wherever he may be," Wright said. So, when Chief began its move to Texas, the Rognlien-Wright combo followed it to Dallas, opening an office now run by another firm principal, David Bialosky. "A firm principal in our offices is key to our philosophy," Wright said.

"We are a very low-key agency," Wright said. "Our main reason for the Dallas office was the Chief stores throughout our entire territory. Now we have our Pep Boys customers expanding greatly in the Southwest."

It was no surprise that the firm opened an office in the Philadelphia area when Pep Boys consolidated buying for its 200 store chain on the East Coast. Besides, RW&H has about 100 Trak stores in its California neighborhood, and Trak's national buying office in Maryland is within driving distance of the RW&H office near Pep.

East Coast Reps React

The move east has caused a great amount of emotional reaction by rep firms who have been selling and servicing the East Coast division of Pep Boys for years. One City of Brotherly Love rep, who asked not to be identified, said it's the manufacturers' fault. "They're allowing their reps from other territories to open offices in new territories. They have little regard for whether or not the new office's personnel can service the rest of the customers in the territory (besides the major account they've followed).

"Customers other than Pep are reacting negatively to Rognlien's move," this rep said. "And now, we have a New York rep coming into the Philadelphia area. I understand that two warehouse accounts threw the New York guy out."

At least one more Philadelphia rep firm, already doing business with Pep and Trak on the East Coast, is planning on opening offices to service the Pep and Trak stores on the West coast in retaliation for the RW&H move east.

Reps Who Have Merged

Besides expanding or moving, rep firms are merging. Take the case of Arnie Heltzer's Chicago-based firm. His Heltzer Sales Corp., Skokie, IL, merged with Copland, Pollan, Wolf & Assoc., Chicago. Heltzer's Sales Corp. had specialized in retail accounts; Copland's in the traditional and fleet markets. According to Heltzer, now of Heltzer, Pollan, Wolf & Lattanzio in Skokie, IL, "We took the strongest retail agency in the U.S.A. and added the strongest traditional reps in the country. Now we have all channels of distribution covered. Winner plus winner means sure winners, rather than two losers trying to make it right.

"I've bought many a company over the years, and this merger makes more sense than anything I've ever done. The savings we've incurred are more substantial than I thought it would be," Heltzer said.

Heltzer makes the point that while other agencies are expanding territory, his new combined firm isn't. "We aren't doing that. We're concentrating on Illinois and Wisconsin (where we know the markets). Chicago businesses are consolidating rather than leaving the area. We've taken the current territory and the concept of combining our strengths."

California rep Bert Poncher has made his decision about what to do in this changing market. He will stay put but merge with another firm.

Poncher, of Bert Poncher & Assoc., is based in Los Angeles but has offices with a full showroom in Phoenix servicing the Northern Automotive megachain. "We decided to stay put when Pep decided to move its offices. We're a company that has provided service to companies. We've a full service staff in the field. We've been successful in maintaining some, or all, of the commission (to Pep) because we've been providing service.

"I decided I wasn't going to chase around and become a national company. I am not interested in opening up new offices. I don't believe that reps can open up new offices and service customers without conflicts," Poncher said.

"So I exercised my second option and bought an existing agency which had no conflict with my current business," he said.

Like the Heltzer/Copland Chicago area merger, Poncher bought a company, Action Marketing in Kenmore, WA, specializing in the traditional warehouse customers, and among their combined 45 represented lines, there were no conflicts. Poncher has also chosen to be involved in non-automotive retail outlets with automotive products.

Poncher sees continued need for both sales and service activity by reps. "As the chains get larger, and have more stores, they lose the personal touch. The stores will continually be in need of service to help get the merchandise on the floor, tell the help about promotions, so rep staff people who service the stores will provide a tremendous amount of service."

Reps Who Add Services

The rep firms have always prided themselves on their service as well as their sales expertise. Throughout the years, programs such as the "Jobber Hopper" vans which roamed the countryside making jobber calls to support sales to warehouse distributors have helped justify the reps' commission. Reps train store sales help on new products and programs, put up planograms and reconcile inventories, handle cores and defective merchandise, and report back to headquarters buyers about merchandise conditions in their stores. Reps like Poncher, who remembers bringing the first popcorn machine to a Pep Boys grand opening, were also mainstays at those functions.

Now, reps are expanding their service base even more. Early this Summer, T. Pressman & Assoc., Redmond, WA, announced that it added the creative services of a full-service advertising agency to its menu of services for its manufacturers and its accounts. "The demands of today's marketplace have required manufacturers' representatives to step into the next area of professionalism," Terry Pressman said. Pressman's firm's new services include concept and design work on ads in all media, brochures, and POP displays, and the actual production and printing of all promotion material.

The firm's approach takes that of the rep firm Mittleman, Wynn, & Pessin, Los Angeles, one step further. Mittleman's Mad House subsidiary provides concept and design and other creative services, but does not have a printing plant on premises.

But some reps debunk the value of service. "Servicing is a lot of bunk," one rep said. "Selling's the only game.

"Besides that, the rep commission isn't great enough to allow total service. I'll set up new store, wonderful. One time basis. Fantastic. But to think that we're paid enough to go visit 1,000 or 1,200 stores, it's financially impossible."

This rep holds a minority opinion about service. Given the growing number of accounts where headquarters and stores are in more than one "holy territory," members of the *Automotive Marketing* Rep Panel were overwhelmingly in favor of cooperation between rep firms when two territories were involved in the sales/service combination for customers. Nearly one in three firms said they already cooperate with other firms, and many more had considered the advantages of such a financial arrangement.

That cooperation may be necessary, according to Bob Bertouille, Plumley Cos., Paris, TN. "For a manufacturer, it's the HDIS Syndrome, the How Do I Service problem? A new alliance between rep agencies on overlapping territories needs to be developed. Perhaps it's called prime and service: the prime receives the larger commission, and the service less," Bertouille said.

"Manufacturers base prices on certain commission rates. Any change in commission also affects pricing. This is difficult for the customer to accept. They go on the theory 'More sales, less commission.' The old volume theory worked when there were good margin and profit sales. Manufacturers have had to cut margins and profits to maintain accounts.

"The problem has no simple solution. I feel each case must be individually worked out. It appears only the strong will survive here in the aftermarket, the same way as in any business," Bertouille said.

Finding Funds To Pay For Service

Automotive Marketing's contributing editor for the *Supply Side* column, Stuart Landow, of the consulting and sales service firm American Independent Marketing, New York, agrees with Bertouille.

"Manufacturers are reducing commission to save 2% for servicing, to pay for help, whether it's from other rep firms or from other firms which specialize in servicing stores," Landow said.

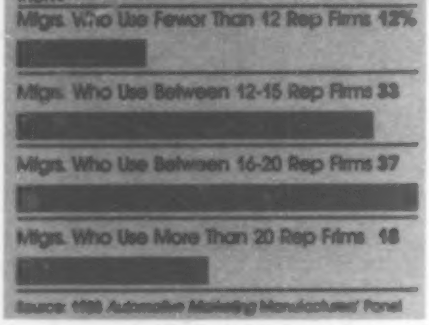
The reps *Automotive Marketing* talked with agree that manufacturers will make the decision on who to pay and what for based upon their own bottom line. "Manufacturers will do what's best for the manufacturer. He'll do what the business dictates that he do," Poncher said.

"The manufacturer has to make a business decision. What's best for him,"

HARD CHOICES

HOW MANY REP FIRMS DO MANUFACTURERS USE?

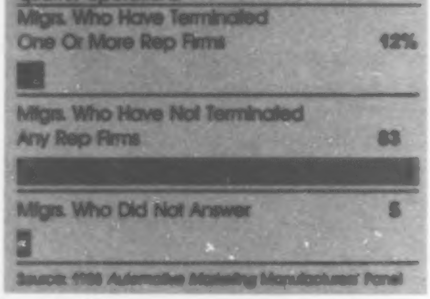
The great majority of manufacturer firms on our Manufacturers' Panel use independent rep firms to take their products to market. On average, they hire 16 regional firms to represent them.



Source: 1988 *Automotive Marketing* Manufacturers' Panel

HOW MANY REP FIRMS HAVE MANUFACTURERS FIRED?

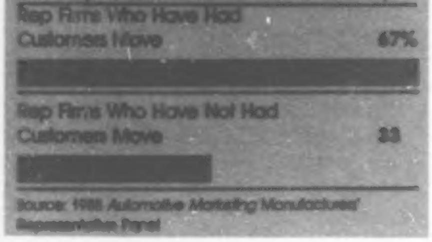
We asked our Manufacturers Panel if they had terminated any relationships with rep firms as a result of closed or consolidating buying headquarter operations.



Source: 1988 *Automotive Marketing* Manufacturers' Panel

HOW MANY CHAINS HAVE LEFT?

We asked our Manufacturers Representative Panel if any of their chain headquarters or buyers had left their territory lately. Two thirds told us that they have had customers move away.

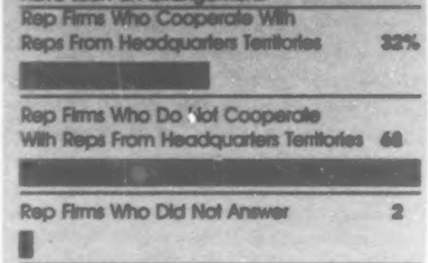


Source: 1988 *Automotive Marketing* Manufacturers' Representative Panel

HARD CHOICES

DO YOU COOPERATE?

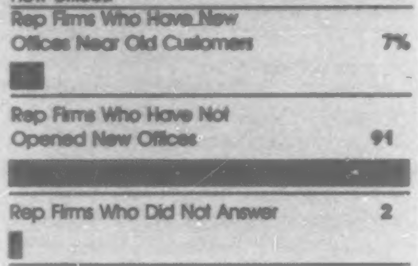
We asked our Manufacturers Representative Panel if they cooperate with other rep firms in servicing stores inside their territories with headquarters outside their territory. Nearly one third have such an arrangement.



Source: 1988 *Automotive Marketing Manufacturers' Representative Panel*

HOW MANY HAVE OPENED NEW OFFICES?

We asked our Manufacturers Representative Panel if they have opened new offices to service old customers who have relocated their buying functions. Several firms have opened new offices.



Source: 1988 *Automotive Marketing Manufacturers' Representative Panel*

Wright of RW&H said.

Manufacturers, too, have some hard choices. They have contracts with reps who have worked efficiently for them in one area and who want commission from customers in areas where the suppliers are already paying commission to other firms.

What are their options? Some are already splitting commissions between the selling reps (those calling upon the buying locations) and the servicing reps (those with the stores in their territories).

George Goddard of Tomco Inc., St. Louis, is one manufacturer who's made that business decision and is comfortable with it. "We still rely on reps to service the account in their territory whether the buying decision is made elsewhere or not. California reps receive a partial commission to service Chief while the Dallas rep receives a split commission on that California business," Goddard said.

Some suppliers are paying all the commission to the selling rep. And then some reps are making similar decisions on their own level in the distribution channel. Some selling reps have subcontract deals with other rep firms to service the stores; the selling firms pay the servicing firms.

Salsitz had a meeting at this year's Big "I" show with one of his suppliers and an East Coast rep firm for the same supplier. "The other firm told us that it had an agreement with a West Coast rep firm (not us) to service the Pep Stores on our shared line. We brought up the fact that the other West Coast firm had some lines competitive to those in the stores which it was going to service, and that there was a threat to some of the other lines. The factory, which I won't name, is a good rep factory which doesn't want members of the same family fighting. The factory saw the righteousness of not having competing reps servicing. Now we service those stores on the line and we split the commission."

Weiss thinks that the industry should develop a formula for protecting reps' business when a customer moves away. "I think there should be a national program to protect the old rep for a year. It could be put together by the Automotive Parts & Accessories Association (APAA) rep council. There should be a grace period in the standard contract which the council is working on," Weiss said.

APAA's rep council, which Weiss mentioned, is the first of three vertical interest groups being organized by the national trade association. The other two will be affinity groups for APAA member retailers and APAA member manufacturers.

In addition to being active on the APAA council, Weiss is also president of the Organization of Manufacturers Representatives (OMR), a separate business group organized in 1986. OMR was formed to combat the Wal Mart policy of eliminating reps and their commissions from the parts-buying equation for that discount store chain. (Weiss, as OMR president, has some advice for rep firms whose businesses are being affected by customer relocation and new rep competition in our accompanying story.)

Contract Guidelines

The contracts between manufacturers and the independent representative firms which take their manufacturers' products to market are complex, to put it simply. Both sides in this business arrangement have many items which should be specified in their contractual agreement.

To make the negotiation and agreement process easier, the APAA's rep council has put together comprehensive guidelines for rep/supplier agreements. A committee of APAA manufacturer and APAA rep members participated in the development of the guidelines, now available from APAA.

"We knew that both sides had to be represented as we put this document together," Bill Scheibe, Powell/Scheibe & Assoc. Inc., Memphis, TN, said. Scheibe is chairman of the guidelines task force.

The multi-page document details items such as territory, market segment definitions, the duties and responsibilities of both parties, compensation, conflicts, termination, and compensation upon termination. The guidelines also have a glossary and several attachments.

More information is available from the rep council's staff liaison at APAA, Larry Hecker, (301) 459-9110.

Putting Another Player On The Field

There may be another way to solve the problem of sales and service to customers. In his May Supply Side column, Landow proposed an organization called the NASSA, the National Automotive Sales/Service Associates, which would efficiently consolidate the resources of the rep firm's sales power, service power, office suport, etc., to sell and service. Our Rep Panel reacted positivly to the idea, but doubted its practicality. Altman "agrees with the concept." Several other respondents wondered if an individual exists who could cope not only with the complexities of overlapping and competing lines and firms but "also the egos involved."

There are some service companies already in operation. They may be the solution to the problem, but they add a fourth player to the retail auto parts chain selling equation, and where's the money to pay that new player going to come from? ■

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Chilton's AUTOMOTIVE MARKETING

The Marketing/Business Magazine For The Retail Aftermarket

AUGUST 1988

GETTING BIGGER

AM's list of the Top 100 retailers
The big get bigger

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THE PARTS PLACE
OIL CHANGE
CHANGE
TUNE UP
GIFTS
GIFTS
SPE

FEATURES

AM's Top 100 Retailers 31
The big get bigger as the players on our Top 100 list change places.

Accessories: Selling The Steak & The Sizzle 40
More than ever before, looks count when it comes to displaying and selling accessories.

The Statistical Supplement 46
A look at some of the numbers that make our market go 'round and 'round.

Planning For Future Growth 51
The Management Report offers a sample business plan because a sound business plan can lay the foundation for growth in any direction.

DEPARTMENTS

Detailing The Market 4
Editorial 12
The *Automotive Marketing* Index 14
Market Line 16
Employees & The Human Factor 57
Products 58
Rep Guide 65
Ad Index 68
Reader Service Card 69

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Our cover illustration this month, and the illustration on page 31, was done by freelance artist Randall M. Hamblin.

PUBLISHER'S NOTES

GEARING UP

Some people try to wind down after big efforts like last month's APAA Show in Chicago. Here at *Automotive Marketing* magazine, we're still wound up!

We're excited about the challenges facing both retailers and suppliers. This month we look at those challenges from the standpoint of meeting the demands of consumers seeking automotive accessories. Contributing editor Edward L. Kaufman has brought a fine perspective to the art of selling DIY accessories to consumers who, while more demanding, are also more affluent.

And, we nodded our heads, somewhat in amazement but also in acknowledgment of all the industry changes, when we checked out Research Editor Philip Katcher's list of the top 100 retail auto parts chains. There has been a lot of movement since we last published this list in June 1987.

Check out the statistics in our "numbers" supplement. You'll find the names and models of prime DIYers' cars, and vehicle registrations by state or district, and industry sales figures, too.

Our regular departments, Market Line, Detailing The Market, our *AM* Index, all have lots of good information for you.

We hope you enjoy our issue as much as we liked putting it together for you! ■

Sarah Frankson
Publisher

DETAILING THE MARKET

IN-STORE FOCUS

STEEGO PARTS CORP./
DIV. STEEGO CORP.
Headquarters:
319 Clematis St., West Palm Beach, FL 33401
(407) 658-9700
Stores: 60
Total Chain Sales: $74,000,000 (est.)
Average SKUs: 12-14,000
Founded: 1955 as Sterling Precision Co.

Lawton.

Here is a company with a distinguished history, and an unusual split store concept when it comes to parts sales.

Steego came from a combination of Sterling Engine, Buffalo, NY, and Precision Instrument, Long Island City, NY, called Sterling Precision Co. That name was changed to Steego Corp. in 1978. All of the firm's stores, which had been acquired at various times, were consolidated under one name as Steego Auto Parts stores at the same time.

At present, Steego Corp. is the parent company of Steego Parts Corp., which in turn has two subsidiaries. Steego Auto Parts is its retail arm, operating out of New England (mostly in Maine), Ohio, and Florida. Steego Parts is the wholesale warehouse system which supplies Steego Auto Parts stores, and independent jobbers, too.

The 43 flagship stores for Steego Auto Parts, located in New England, are headed by division manager Patrick Poulin. Three warehouses and 40 stores are in Maine; there's another warehouse and two stores in Massachusetts; and the remaining northeastern outlet is in Rhode Island.

The stores range in size from 1,800 sq. ft. to 10,000 sq. ft., but average around 4-5,000 sq. ft. But the square footage is deceptive. The stores are *split*, half retail, with emphasis on the DIY trade; half "wholesale items that the average DIYer would not be shopping for," Poulin said.

Each store's SKU count is split "about 50-50" between DIY and professional items. The DIY sections typically carry lighting; accessories such as wipers, seat covers, replacement blades, deflector shields, tools, and light truck items. Batteries are displayed in this section, but must be asked for at the parts desk. There are no tires in the Steego Parts stores, with the exception of motorcycle tires, merchandised in a full-line motorcycle section.

Each store's wholesale section carries engine and chassis parts, and so forth. These items are merchandised in bins 7'-high and 3'-wide, with seven shelves per bin. "There are rows and rows of bins," according to Poulin, "for the hard-core guy."

A mechanic looking for a coil spring, Poulin said, would go directly to the parts counter. A parts desk hides the hard parts from the DIYers; counter persons help any professionals who need parts, and also help direct the DIYer to appropriate areas of the store.

In order to gain more professional customers, Steego Auto Parts has 20 salesmen who call on independent repair shops, and body and paint shops. Delivery vehicles are part of the wholesale program.

The split stores encourage DIYers, too, Poulin says. "We used to have very shabby stores," he said. "We did not want DIY. But as that segment grew, we started to respond."

The company's response to DIYers also includes store hours. Ten Maine stores are open seven days a week. The rest of the stores are open from 7:30 am-5:30 pm on weekdays; 8:00 am-4:00 pm on Saturdays. Signage is uniform, with graphics aimed at capturing DIYers' attention.

Advertising to DIYers is controlled from the company's home-base state of Florida. Poulin does have input, however, on what gets advertised: "We tell the agency what we'd like to advertise, we OK it here. We do have input; we OK every item," he said.

That seems to reflect the general nature of Steego.

"Steego is unique because we're all the same but a little bit different," Poulin said. "For instance, on major lines such as exhausts or gaskets, all of Steego is standardized. But on other items, they carry one brand in Florida; another in Maine. If we can pitch our case, Lawton (Robert Lawton, president of Steego Parts Corp. and senior vice president of Steego Corp.) lets us do it. In other words, it's quite well controlled, but we have a lot of flexibility."

DETAIL

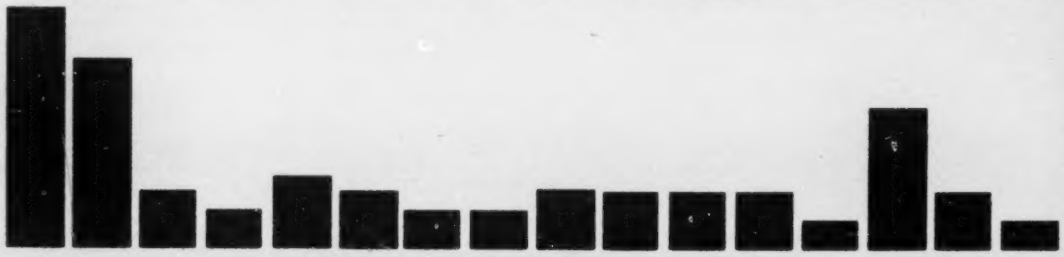
76%

of all Americans say they'd spend more money on a high quality product rather than saving money by buying a cheaper one, according to Cambridge Reports, Inc. (Cambridge, MA).

PROFILE: STRUT OR SHOCK ABSORBER DIYers

Drawing from the 1988 *Automotive Marketing Consumer Automotive Repair Study*, we look at DIYers who purchased and installed shock absorbers or MacPherson struts during the previous 12 months.

			Age					Income				Hours Per Month Spent On DIY			
Total	Male	Female	-25	25-34	35-44	45-54	55 +	-$20K	$20-30K	$30-40K	+40K	-1 Hrs	1-5 Hrs	6-10 Hrs	11 + Hrs
100.0%	79.0%	21.0%	14.7%	29.8%	24.0%	16.0%	15.5%	24.8%	22.1%	22.9%	22.8%	9.3%	59.0%	18.3%	11.9



THE AUTOMOTIVE MARKETING INDEX

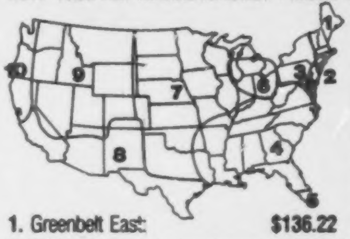
THE 1988 *AUTOMOTIVE MARKETING* MARKETBASKET

To determine the price movement, *Automotive Marketing* created a "marketbasket" of the best prices available for nine popular aftermarket products. We determine the best available price of each item in each marketing area each month to come up with an average marketbasket index. The products include a non-resistor spark plug; an oil filter; a can of 10W30 motor oil; a can of paste wax; an AM/FM/Cassette radio; a gas-charged shock absorber; a gallon of antifreeze/coolant; a pair of windshield wiper refills; and a 40-month-warranty battery. These products are usually on sale somewhere within each marketing area, which we define by their unique geographic, meteorological, and consumer characteristics.

MAY 1988 NATIONAL AVERAGE MARKETBASKET PRICES

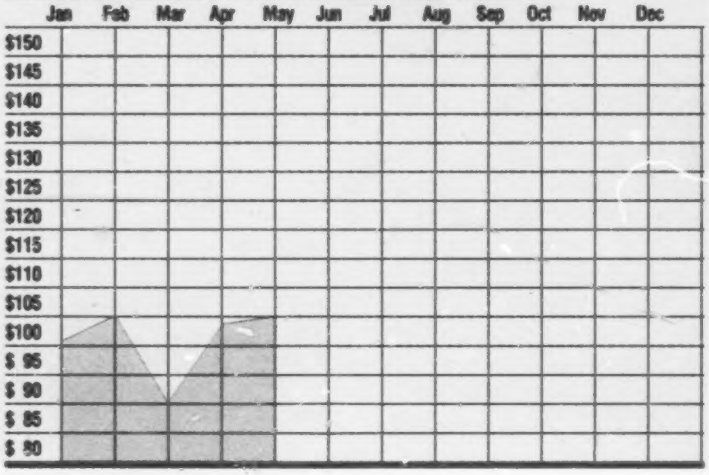
A non-resistor spark plug:	$ .74	A gas-charged shock:	$ 14.87
An oil filter:	2.29	One gallon of antifreeze:	3.48
A can of 10W30 oil:	.76	One pair of wiper refills:	2.43
A can of paste wax:	2.97	A 40-month battery:	31.14
An AM/FM/Cassette:	45.15	**Total:**	**$104.83**

MAY 1988 AM MARKETBASKET PRICES BY MARKETING AREA



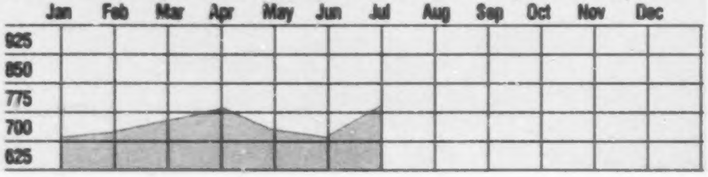
1. Greenbelt East:	$136.22
2. Megapolis East:	88.73
3. Smokestack East:	$ 88.01
4. Old South:	102.73
5. Caribbean South:	115.86
6. Smokestack Central:	97.53
7. Grainbelt Central:	98.48
8. Spanish West:	92.73
9. Desert West:	104.83
10. Greenbelt West:	123.06

NATIONAL AVERAGE MONTHLY 1988 AFTERMARKET BASKET PRICES

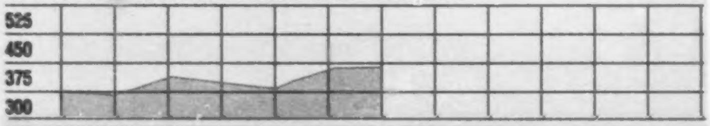


DOW JONES 65 COMPOSITE STOCKS

Dow Jones 65 composite stock and *AM's* 17 aftermarket stock price as of July 11.



AM 17 COMPOSITE AFTERMARKET STOCKS



1988 AFTERMARKET STOCK PRICES

The prices below are the high and low offered and paid for aftermarket-related common stocks for the 52 week period prior to July 11.

	Exchange	52-week High	52-week Low	7/11 Quote	P-E Ratio
Action Auto	NASDAQ	8 ½	3 ¾	7 ⅜	26
Allied Signal	NYSE	48 ¾	26	35 ⅝	11
Armor All	NASDAQ	27 ¼	10 ¾	21 ¾	20
Arvin	NYSE	37 ¼	14 ¾	22 ⅛	22
Audiovox	AMX	14 ⅞	4 ¾	5 ⅜	8
AutoSpa	NASDAQ	4 9/16	⅞	1 ⅝	391
Big Bear	NASDAQ	26 ⅜	14 ⅞	25 ¾	12
Chief Auto	NASDAQ	18	5 ⅜	15	447
Champ Spk Plg	NYSE	16 ⅜	7 ⅞	12 ⅛	24
Chevron	NYSE	64 ⅝	32	47 ⅞	12
Chrysler	NYSE	48	19 ⅝	23 ¼	4
Coachman	NYSE	13 ⅝	6 ⅝	13	491
Cooper	NYSE	74 ½	39	55 ⅞	16
Dana Corp.	NYSE	54 ¼	27 ½	37 ¼	11
Durakon	NASDAQ	14 ¼	7 ½	13 ⅝	15
Echlin	NYSE	19 ⅝	10 ¾	17	18
Equion	NASDAQ	8 ⅜	4	6 ½	10
Ford	NYSE	56 ¼	30	52 ⅛	6
GM	NYSE	94 ⅛	50	77 ⅜	7
Genuine Parts	NYSE	44 ⅜	27 ¼	36 ⅜	18
Gn Auto	AMX	6 ⅜	1 ½	1 ⅝	63
JP Industries	NYSE	24 ⅞	12	17 ¾	12
Lancaster Colony	NASDAQ	26	15 ¼	17 ¼	—
Masco	NYSE	39 ¼	18 ¾	28 ⅞	16
Meyer, Fred	NASDAQ	17 ⅞	9 ½	14	10
Mobil	NYSE	55	32	44	12
Modine	NASDAQ	22 ¾	11 ¾	17	10
Mr. Gasket	NASDAQ	7 ¾	4 ⅜	4 ⅝	18
PACCAR	NASDAQ	78	43 ½	74 ½	10
Prkr Hannfin	NYSE	49	24 ½	34 ⅜	15
Pennzoil	NYSE	82 ¾	38 ½	73 ⅜	97
Pep Boys	NYSE	18 ⅞	9 ½	12	20
Quaker State	NYSE	28 ½	12 ⅞	25 ⅝	—
Rep. Auto	NASDAQ	8 ½	4	4 ⅞	—
Rite Aid	NYSE	46 ¼	28 ½	36 ¾	16
Sears	NYSE	59 ½	29 ¾	36 ⅞	9
Snap On	NYSE	46 ½	24 ¼	38 ½	17
Stan Mtr Prod	NYSE	21	11 ⅛	13 ⅝	12
Steego	NYSE	6	2 ½	5 ⅛	—
Sun Co	NYSE	67 ⅞	34	59 ⅛	17
Superior Ind	AMX	17 ½	8 ⅛	16 ¼	11
TBC Corp.	NASDAQ	15 ¼	3 ¾	13 ⅞	11
TRW	NYSE	70	37	47 ½	11
Tenneco	NYSE	62 ½	36 ⅛	48 ½	—
Texaco	NYSE	52 ½	26 ⅞	46 ¾	19
Trak Auto	NASDAQ	19	7	10 ½	14
Triad Systems	NASDAQ	14 ¾	7 ½	12 ⅝	16
Walbro	NASDAQ	35	16 ¾	33	21
Wal Mart	NYSE	42 ⅞	20	32 ⅛	27
Witco	NYSE	42	26 ⅝	35 ⅝	11
Wynn	NYSE	30 ⅜	14 ½	19 ⅞	50

The Global Market: How It Will Change The Way You Do Business

"If you don't go global, you're like a dinosaur in the Ice Age; all you can do is stand around and hope the weather gets better," Randall Clark, CEO of the Dunlop Tire Corp., Buffalo, NY, said, describing life in the new global market.

While the effects of the global market on OE manufacturers and their suppliers may be obvious in the number of imported cars on the road, the effects on retailers and jobbers may be less apparent, but are just as real, Clark noted.

Clark was one of several speakers at the 1988 Frost & Sullivan Automotive Aftermarket Conference held in Toronto, Ontario, Canada. The two-day conference examined the impact of globalization on all levels—from the retailer and service center to the OEM.

What It All Means To Retailers

A very possible scenario for retailers in the global market goes something like this: fewer sales of individual part numbers, but more part numbers to inventory because cars last longer. That's a troublesome future for retailers and jobbers already facing profitability problems.

At the very least, globalization means retailers and jobbers will be selling parts and accessories for a completely different mix of cars and trucks. The success of the Korean-made Hyundai is a prime example. Three years ago, virtually no American had even heard of Hyundai. Today, the company sells more than 300,000 cars a year [illegible]nd estimates are that it will sell close to 600,000 cars a year by 1991.

Sourcing, selling, and servicing parts for cars like the Hyundai will become a challenge.

In 1965, about 500,000 imported cars were sold in the U.S. By 1975, the number had reached 1.5 million, and in 1987 it was about 3.1 million. Another 625,000 Japanese cars were built in American plants (tra[illegible]ants).

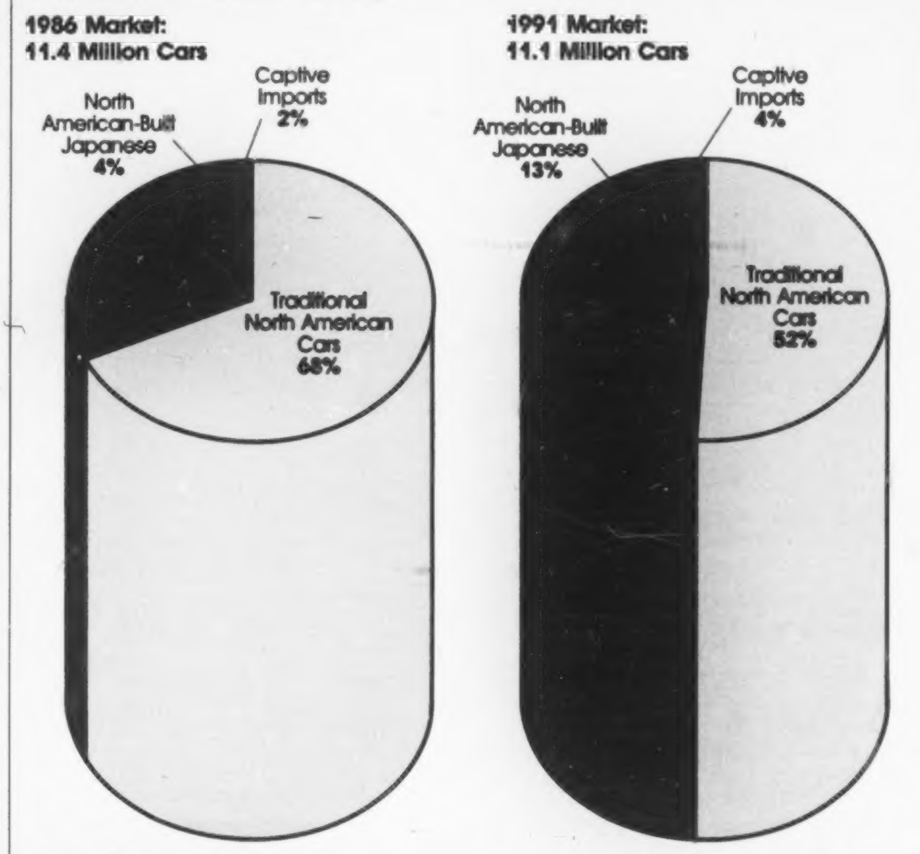
By 199[illegible]t estimates see 3.2 million imports and [illegible] million transplants. The Department [illegible] Commerce (DOC) estimates that by 1991, Japanese imports and transplants will account for 44% of the new car market while the Big Three's share will decline to 52%. And since the majority of imports will still be newer cars, the cars that will be scrapped will be mainly American cars that are DIYer favorites. By 1991, roughly a third (about 60 million) of the vehicles on the road will be imports, according to DOC estimates.

Randy St. John, president and CEO of GKN Aftermarket Import Parts, Memphis, TN, told the conference, "While repair of domestic vehicles is expected to grow 8% from 1985 to 1990, import repair work will increase 60% during the same period." St. John noted that the market for repairs of imports presented an unparalleled opportunity for American repair shops.

John Ayers, marketing vice president of the Allied Automotive Div., East Providence, RI, said that success or failure in the future rests on servicing the import

THE NEW CAR MARKET

The Department of Commerce estimates that by 1991, imports and transplants will account for 48% of the new car market while the Big Three's share will decline to 52%. The vast majority of the imports and transplants will be Japanese originated.



Source: *1988 US Industrial Outlook*, U.S. Department Of Commerce fleet. "We in the aftermarket must act," Ayers said. "If we do not, our loss will be measured in revenues slashed, profits evaporated, and market share shrunk. We will suffer these effects as dramatically and as rapidly as the Big Three did when the import revolution struck them in the aftermath of the oil embargoes."

While this may seem like a simple problem of better sourcing and better advertising the availability of parts, there's a secondary problem.

Opportunity Lost?

Dean Wilson, president of the Automotive Industries Association of Canada (roughly equivalent to ASIA and MEMA and APAA in the States), presented an analysis of surveys by the Canadian Automobile Association of about 19,000 vehicle owners. The study found that owners of five-year-old Japanese vehicles spent about $170 less per year on repairs than owners of five-year-old domestic cars. Toyotas and Hondas were consistently the cheapest cars to repair.

The study noted, "It is commonly believed that the growth in Japanese vehicles on the road results in a healthy aftermarket. This may not be true. Each time a Japanese instead of a domestic vehicle is sold, the overall size of the aftermarket actually contracts since Japanese vehicles require fewer repairs. Moreover, Japanese vehicle owners return to their dealers for repairs at almost triple the rate of domestic vehicle owners."

Although this is not an absolute verdict, it's certainly a key consideration for the aftermarket as import vehicles become a larger part of the market. In addition, domestic OE vehicle manufacturers have made large strides in quality and reliability. For example, five-year-old Fords were less expensive to maintain than such imports as Nissans and Mazdas.

More Trouble Ahead?

Still another result of globalization may be greater involvement in the U.S. aftermarket by foreign companies. The Japanese car makers in the U.S. have brought many Japanese suppliers to the U.S. Linda Hoffman, vice president of the Automotive Parts and Accessories Association (APAA), Landover, MD, told the conference APAA has counted 251 Japanese plants operating or pending in the United States. Japanese car makers in the U.S., she said, want to recreate Japanese style OE/supplier relationships in the U.S., and leave domestic suppliers with virtually no sales to Japanese transplants.

A look at Honda provided the conference with an excellent example of Japanese transplants in the U.S. Honda Of America sold 324,000 Marysville, OH-manufactured Hondas in 1987, as well as 414,000 Hondas made in Japan. Estimates see Honda of America producing more than 500,000 cars in Ohio by 1991 as well as 100,000 in Quebec.

The APAA, using information developed by the U.S. General Accounting Office, reports that Honda has 119 American suppliers of which 28 are U.S.-based Japanese suppliers. APAA puts Honda domestic content at 60%.

Dave Nelson, Honda vice president of purchasing, said Honda is making a committment to domestic content. "Honda has 68 plants in 40 countries. Honda's international viewpoint precipitates in Honda's purchasing policy to seek to purchase parts and raw materials in the countries in which it manufactures," Nelson said. He added Honda's domestic content was now 62% and plans call for 75% by 1990. He presented detailed instructions of how to sell to Honda.

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Although currently all buying approvals must come from Japan, Nelson said plans call for more buying to be done directly by Honda in America. In addition, Honda Of America will begin to design and build its own vehicles rather than cars designed in Japan.

Finally, Nelson noted that globalization has come full circle. Honda Of America will *export* about 90,000 Hondas made in Ohio to Japan.

The Big Three Do It, Too

However, in addition to direct imports, the Detroit Big Three are making a commitment to overseas sourcing and joint ventures with foreign car makers, Peter McIntosh, supply and distribution manager of Ford's Parts and Service Div., Dearborn, MI, said. For instance, the new Ford Probe is a joint venture with Mazda. In a second joint venture with Volkswagon, Ford will market a new truck built in Brazil.

Joint ventures will be the wave of the future. "Captive" imports, built overseas and sold under American nameplates, accounted for about 300,000 sales in 1987. By 1991, the number will increase to about 425,000. In addition to Ford's joint ventures, GM is selling the Nova, made in California at a plant it owns jointly with Toyota. GM also has joint ventures with Volvo for heavy duty trucks, with Daewoo of Korea to build Pontiacs, and with both Suzuki and Izuzu to produce small cars. Chrysler is also in a joint venture with Mitsubishi to produce small cars in Illinois.

The question might be asked, then, what is a domestic car? What is the difference between a Chevrolet Nova and Toyota Corolla, both manufactured in the same California factory?

The Aftermarket Question

However, for the aftermarket the important question is: who will supply repair parts to these cars? Hoffman believes the Japanese would also like to recreate an aftermarket for Japanese cars in the U.S. similar to their home market. In Japan, Hoffman told the attendees, as much as 75% of aftermarket parts sales are through new car dealers. Because of close relationships between Japanese OEMs and their suppliers, she sees difficulties for American retailers getting access to OE parts while domestic manufacturers will not offer full line coverage. She sees two aftermarkets for foreign cars, one of high volume parts easily sourced, and a second hard parts aftermarket with little or no U.S. participation.

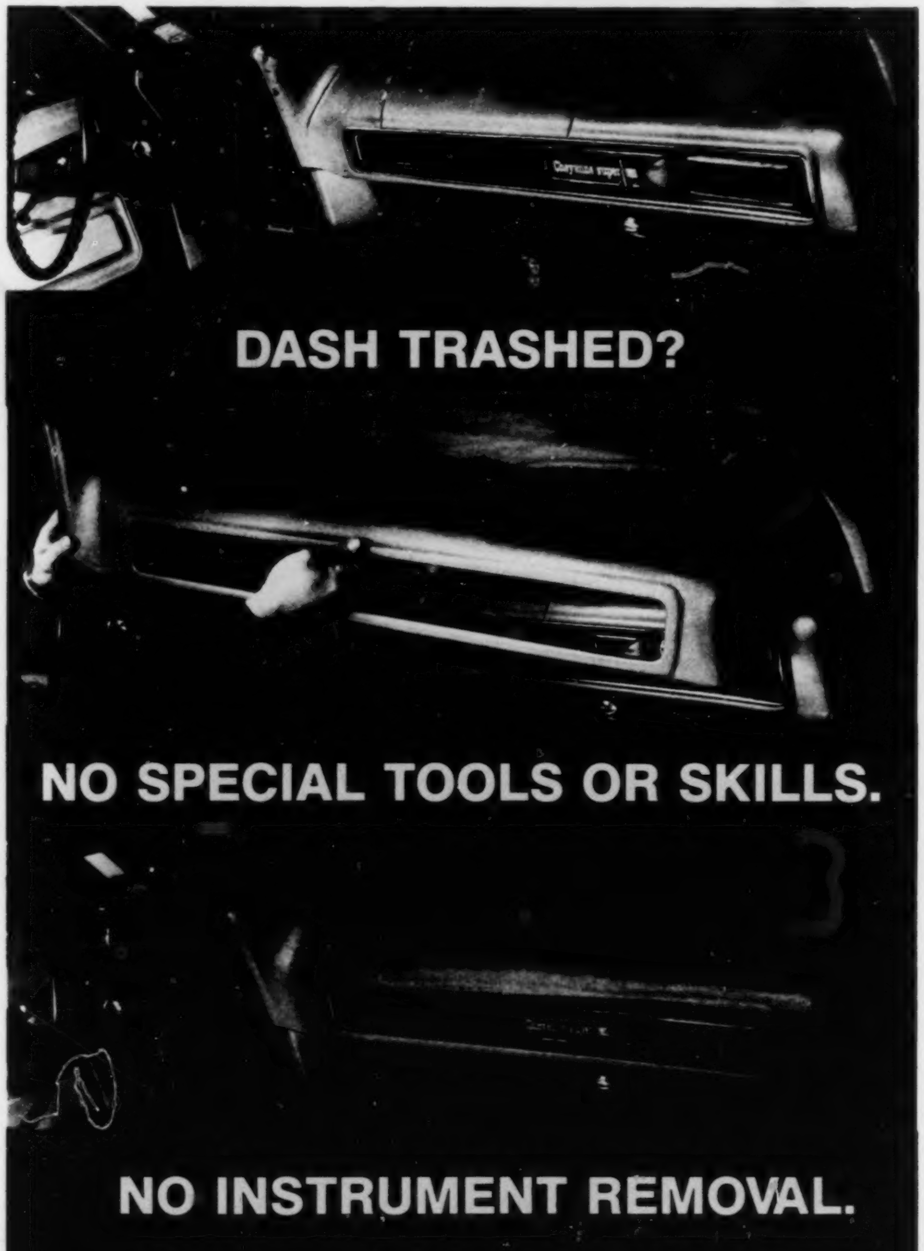
Along these lines, the Automobile Internacional Association (AIA) recently filed a petition with the U.S. Trade Representative claiming that many Japanese OE parts were not available to independent import distributors or were available only at non-competitive pricing. Although the petition was withdrawn, access to OE parts will be a key to selling successfully to foreign car owners.

Ron Moore, president and CEO of Midas Intl., Chicago, spoke to the same problem. "Full line brake manufacturers must respond to part numbers more quickly. We're 12 months late now. Midas has been forced to use import new car dealers for sources on new brakes."

And, St. John noted that GKN may have an advantage in the future because it owns a trading company in Japan and "many replacement parts for Japanese cars can only be sourced in Japan."

What The Future May Bring

Even leaving aside the future plans of Japanese car makers to control the parts pipeline, and assuming that domestic



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MARKET LINE

manufacturers will do a better job in supplying full lines for import parts, globalization will still impact the aftermarket.

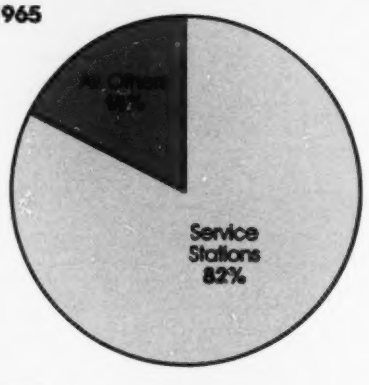
It's likely that the aftermarket may see more foreign companies buying direct distribution. Right now, there companies such as Ward White, which owns Whitlock and Rose Auto; GKN, which owns Parts Industries; and AI International, which owns AI Automotive, all foreign owned and all already in the aftermarket. Right now, a group of New Zealand investors is bidding for control of the Steego warehouse and retail operation.

So retailers will soon see the effects of the new global market. There are many positive aspects and many negative aspects to the new market. At the very least, the retailer or service provider is going to have to re-evaluate the way he goes to market in order to service the global car.■

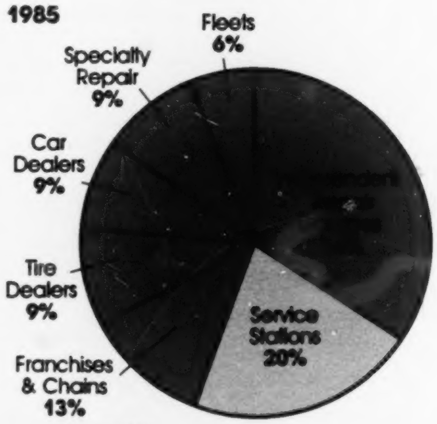
CHANGES IN THE SERVICE MARKET 1965-1985

Since the 1960s, the service market has fragmented as over 100,000 gas stations went out of business. Business lost by the gas stations went to a variety of service operations. The independent repair garage is now the market share leader for repair work.

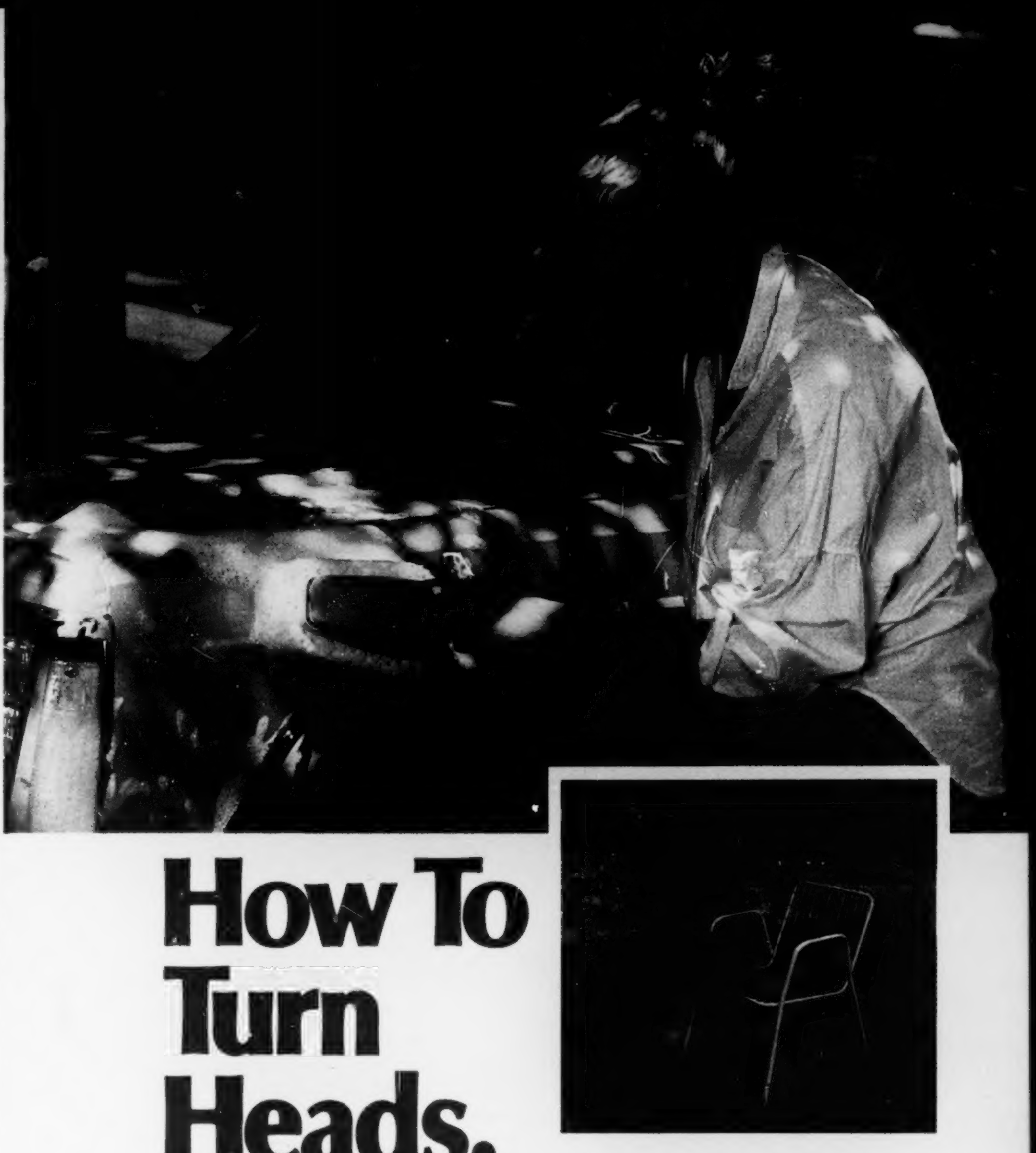
1965



1985



Source: GNK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TRADE WARS

AIA Withdraws Anti-Japanese Petition

Auto Internacional Association (AIA), Whittier, CA, has withdrawn the petition it filed with the U.S. Trade Representative that charged some Japanese automakers with unfair trade practices.

Filed May 9, 1988, the AIA petition had asked for an official investigation into alleged predatory practices by several Japanese automakers and their parts manufacturers.

The petition, filed under Section 301 of the Trade Act of 1974, alleged "collusive horizontal and vertical restraints, price-fixing, predation, retail price maintenance, interference with business regulations and cartel-like behavior." The result, the petition stated, is that many AIA members find it difficult, if not impossible, to participate in the replacement/repair parts market for Japanese cars.

More Information Needed

Dick Wells, AIA national director, said that the government had "accepted the premise" that there could be unfair trade practices involved, but required more specific, hard information to back up the petition's claims. According to one AIA source, some member companies have been "a little hesitant" in releasing specific, detailed figures they obtained from their Japanese sources for fear of being cut off from further supplies if the figures became public.

Japanese auto and parts company officials declined to comment on the petition.

According to one government official familiar with the petition, speaking unofficially, AIA was in error in filing a 301 petition in the first place. "This was not a 301 case," the official said. "301 petitions deal with government trade barriers and this is a private dispute between AIA members and Japanese automakers." The official felt that the association failed to show evidence that there were government restrictions of trade involved.

Moreover, the official pointed out, recent Supreme Court rulings have said that vertical restraints of trade alone do not necessarily damage competition. "With the Supreme Court's recent rulings," the official said, "it just doesn't make any sense to go after vertical cases.

"You've got to look at the overall competitive picture," the official said. "It's not just competition within brands but brands against brands. It's a matter of Toyota versus Nissan as much as where the consumer can buy Toyota brands. Don't forget, too, that each automaker requires its dealers to stock thousands of slow-moving parts and train mechanics, and its action in selling parts to these dealers is just a part of the whole package between car makers and their dealers."

According to the official, "It's an anti-trust case; it belongs in anti-trust court. If AIA could persuade a court to rule in their favor, they could receive treble damages; they get no monetary awards from a successful 301 petition."

Not At This Time

Wells admitted that it was "fruitless" to press the 301 petition "at this time." However, he said, "We will continue to review our position based on changes in the anti-trust policy which might be forthcoming in the November elections."

Francis Sailer, an attorney with Pillsbury, Madison, Sutro, San Francisco, participated in the AIA petition. He said the association has three options that it could pursue concurrently or separately. It can work to include language in a new trade bill that would modify Section 301 to cover cases such as AIA's. It can work towards the passage of an anti-trust bill that is being currently considered and is aimed at independent distributors. "This is an attempt to overturn cases like the Sharpe case," (The case in which the Supreme Court ruled vertical restraints in some cases were justified.) Sailer said. And, it can wait until November's elections bring a change in anti-trust policy. "Regardless of whoever wins," Sailer said, "there will be a marked change in policy. There will be a new, more anti-trust Justice Department."

In line with the later option, Wells indicated that the petition has been "only temporarily withdrawn" and that evidence to support elements of the petition will be "substantiated." According to the AIA source, this means persuading certain members to release figures they currently consider confidential. When that is done, Wells said, "The petition will be re-filed, perhaps in January of 1989, after the nation's elections and at which time a more favorable attitude towards U.S. businesses will hopefully prevail." ■

RETAILERS

Ward White Wants To Grow In The U.S.A.

Ward White, the British conglomerate that owns the Whitlock automotive parts chain, among others, in the U.S. is aggressively in the business of growth.

Ward White entered the U.S. market through a takeover of Whitlock's previous English owners, LCP Holdings, early in 1987. Its current retail auto parts store

SERVICE

AVERAGE REPAIR COSTS OF VEHICLES

Each year, the Canadian Automobile Association surveys some 19,000 vehicle owners about repair costs during the previous year. From its 1986 study, DeRosiers Automotive Research has calculated average repair costs by company and model year. Toyota and Honda are consistently the lowest cost vehicles to repair in each model year, even as the vehicles gets older. The figures below are the average repair costs per yer per vehicle model.

Cars	New Models	2-Years Old	3-Years Old	4-Years Old	5-Years Old
Honda	$21	$46	$ 80	$208	$ 328
Toyota	8	29	131	205	350
Ford	36	48	229	315	490
Mazda	NA	45	133	300	502
Chrysler	13	57	261	361	576
GM	11	73	358	441	596
Nissan	22	73	188	401	812
AMC/ Renault	7	82	382	870	1006
All Japanese	$14	$43	$131	$266	$424
All Domestic	17	63	307	428	594

Source: DeRosiers Automotive Research Inc., using Canadian Automobile Association survey holdings include the Motormart stores in Massachusetts and Connecticut; the National stores in upstate New York; Giant, Strum, and Whitlock stores in the Midwest, and Rose Auto in Florida.

And Ward White is looking for more. At least that is what its leaders told financial analysts at a recent Kidder-Peabody presentation in New York City.

Speaking for Ward White were Philip Birch, group chairman and managing director; John W.E. Sharp, financial director; and Dean M. Haulton, president of Ward White U.S.A Holdings Inc. The firm's U.S. headquarters is in Atlanta.

In An Aggressive Mood

Characterizing their mood as "very acquisitive," (they had just completed a hostile takeover of a 500-store decorative home store chain in England the previous weekend), the Ward White management told the analysts that the company may also enter the home improvement business with DIY stores in this country. They're interested in further acquisitions in the auto parts business as well.

Once primarily a shoe maker and retailer, the British company left the footwear business because of competition and the high cost of labor. It became a specialty retailer concentrating on DIY businesses, both home improvements and auto parts. These are markets which are not as saturated as the footwear industry, according to Birch. The company acquired Halford's (auto parts) in 1984 and the Payless home center stores in 1986. It now has a total of 1,250 stores.

Ward White pegs the total retail U.S. market for auto parts at $85 billion, and says the top ten chains account for only 3.6% of those sales. It ranks itself as ninth in sales among retail parts chains in this country. At fiscal year end in January 1988, it had 162 stores in this country and sales of $155 million in auto parts.

Although still near the bottom of the "top ten" in this country, Ward White is undoubtedly the sales leader in its British home territory. The Halford's stores in the United Kingdom, which include "No. 1" in their logo and merchandising, sold £308 million last year, while their nearest competitor in that country, the Charlie Brown stores, sold only £42 million. Sales of the two other strongest United Kingdom competitors, Motorworld and Uniparts, together totaled only £27 million for the year. The total British market it estimates at about £6 billion.

The British Ward White auto parts stores are located both in downtown and suburban areas. There are 62 large-size superstores and 330 smaller stores, and some offer service as well as retail parts. Currently, there are no Ward White operations with automotive service bays in the United States, but "that's a possibility in the future," Haulton said.

In the U.S., the Ward White organization has superstores in Chicago and New York that have between 12,000 and 16,000 sq. ft. of selling space. The other stores are smaller in selling area, and there is no standardization among the various operations in the Holdings group.

Haulton's headquarters staff seeks to improve the efficiency of the U.S. acquisitions as it pulls them into one operations group. The Floridian Rose Auto chain is separated from the other stores by its operations as well as by geography, although its management also reports to Haulton.

"Our improvements are accomplished by improved gross margin," Haulton said. A $5 million investment in 300 electronic point-of-sale (POS) computers will help bring the U.S. chains nearer the conglomerate's profit target.

In addition to operating efficiencies, the Ward White Holdings group is working hard at product merchandising strategies. The first of these new strategies, a private label battery program in conjunction with Exide Corp., Reading, PA, last Fall, resulted in the sale of 20 times as many batteries as the stores had sold the preceding year.

The company's doing similar "Product Intensity Programs" on starters and alternators, brakes, and shock absorbers this year.

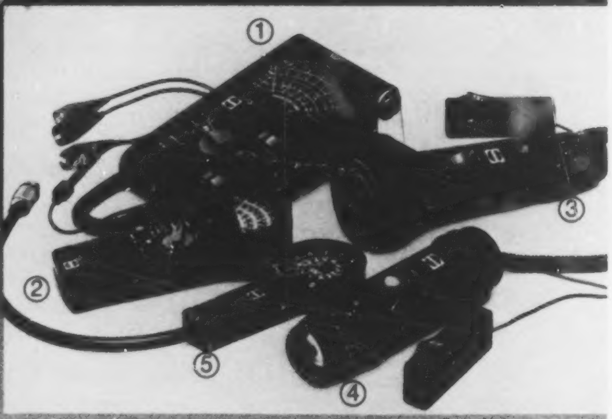
While Ward White Holdings is improving day-to-day operations, improving its profitable efficiency, and searching for new acquisitions in the auto parts business. It'll be interesting to see where, and what, it buys next. One thing's for certain: any company which characterizes itself as being in "The Business Of Growth," as it boasts on its annual report cover and on the opening visual in its business presentations, isn't going to stay on any plateau very long. ■

THE OIL ADDITIVE MARKET

The oil additive market is about $150 million at the retail level. This share of market (SOM) breakdown was part of a recent First Brands Corp., Danbury, CT press conference.

STP	59%
Marvel	8%
Rislone	6%
Wynns	5%
All Others	22%

Source: First Brands Corp.



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AM's 100

LARGEST AFTERMARKET RETAILERS

The rich get richer and the poor get poorer, goes the saying, and it certainly applies in the aftermarket today.

Case in point: The top 100 retail aftermarket chains, as determined by the number of stores owned by companies that are primarily aftermarket retailers with 50% or more of their sales across the counter to DIYers.

The big chains that fit this definition are getting bigger and the small ones are getting smaller. In 1987, the five largest chains' names were on 1,818 stores among them; in 1988 the top five chains owned 2,279 stores. At the same time, in 1987, the final six chains in the *Automotive Marketing* Top 100 had a total of 33 stores. The comparable chains today owned only 29 stores as of the cut-off date for reporting of June 15.

It seems as if *Automotive Marketing* has been reporting on the basic cause for this spread almost monthly. Mergers and acquisitions have made the largest chains even larger, building chains that were already large into today's mega-chains. This consolidation pulled small chains up onto the Top 100 list.

For example, last year's number one, Checker/Schuck's/Kragen; number six, Auto Works; number 25, Crown Auto), and number 91, U-Save, are now part of the new number one, Northern Automotive, a change created by mergers and acquisitions. Indeed, the changes in just one year in the *Automotive Marketing* "Top 100" list are legion.

As noted, last year's largest chain was Checker/Schuck's/Kragen with 480 stores. That chain has now become part of Northern Automotive, this year's largest chain. Chief Auto Parts, last year's number two chain, was acquired in a leverage buy-out from its previous owner, Southland, by a corporation formed of its own management and a New York investment banker. And, last year's number three, Auto Shack, had to change its name to AutoZone as the result of a lawsuit brought by Radio Shack.

What else? Nationwise has jumped from number nine in last year's listing to number four in this year's with the acquisition of last year's number 16 chain, Guarantee. Western Auto has been acquired by Sears. Trak, moving from number seven to number six, has consolidated its West Coast buying into its East Coast headquarters while improving its profit picture. Otasco, which operates fewer stores now than it did a year ago, fell in the *Automotive Marketing* ratings from number four to number seven.

Of all the top ten, Pep Boys has remained the most stable, continuing on its growth track as planned, seeing a billion dollars in sales as a real possibility by 1991. Whitlock moved into the top ten, to number nine from being number 11, having established a new management team and reduced central overhead. Finally, continuing in the number ten slot, Steego is pondering the fact that Industrial Equity (Pacific), Ltd., Hong Kong, now holds 45% of its stock.

In other major developments below the top ten, Pettigrew-Smith moved up one slot by acquiring Dales. Mechanics Warehouse, Cleveland, was dropped from the list—it was number 67 last year—when it closed down stores, ending up with four retail stores. And, a five-store chain, Osburne Distribution Co., became the 100th largest chain in the nation.

If current trends continue, by 1990 *Automotive Marketing's* largers 100 automotive retailers' list may include every such chain in existence in the country. ■

Rank	Chain	Stores	$ Sales (+000)*	CEO	Address and Phone	1987 Rank
1.	Northern Automotive	821	559,000 [3]	G. Daniel Siewert III	645 Missouri Ave., Suite 400, Phoenix, AR 85012 (602) 265-9200	1 [1]
2.	Chief Auto Parts Inc.	470	256,000	Mike Manor	1515 Wade Drive, Seagoville, TX 75159 (214) 287-7474	2
3.	AutoZone	430	365,000	Peter Formanek	3030 Poplar Ave., Memphis, TN 38111 (901) 325-4600	3 [2]
4.	Nationwise Automotive, Inc.	280	200,000	Saul Levy	3750 Courtright Ct., Columbus, OH 43227 (614) 239-1111	9
5.	Western Auto	278 [4]	930,000	John T. Lundegard	2107 Grand Ave., Kansas City, MO 64108 (816) 346-4000	5
6.	Trak Auto	256	212,000	Ben S. Kovalsky	3300 75th Ave., Landover, MD 20785 (301) 731-1200	7
7.	Otasco, Inc.	223	324,000	Jerry L. Goodman	11333 E. Pine, Tulsa, OK 74116 (918) 437-7171	4
8.	The Pep Boys	207	486,000	Mitchell Liebowitz	3111 W. Allegheny Ave., Philadelphia, PA 19132 (215) 229-9000	8
9.	Whitlock Corp.	177	150,000	R. Keith Green	1375 Mount Prospect Rd., Des Plaines, IL 60017 (312) 699-5040	11
10.	Steego Auto Parts	147	150,000	Russell Duncan	319 Clematis St., West Palm Beach, FL 33401 (305) 655-9700	10
11.	Advance Stores Co.	126	65,000	Nicholas Taubman	1342 West Eighth, Roanoke, VA 24015 (703) 345-4911	13
12.	Champion Auto Stores	125	60,000	Robert "Bud" Rose	5520 North County Rd., New Hope, MN 55428 (612) 535-5984	12
13.	Grand Auto	107	172,463	Thomas Herman	7200 Edgewater Dr., Oakland, CA 94621 (415) 568-6500	14
14.	Super Shops	104	119,000	Harry Eberlin	620 Newport Center Dr., Ste 860, Newport Beach, CA 92660 (714) 644-9900	15
15.	O'Reilly Automotive (Ozark)	87	75,000	Charles O'Reilly	233 S. Patterson, Springfield, MO 65802 (417) 862-3333	17
16.	Aid Auto	85	50,000	Philip L. Stephen	475 Doughty Blvd., Inwood, NY 11696 (516) 371-4330	18
17.	Hi-Lo Consolidated	75	90,000	T. Michael King	8601 Tavenor, Houston, TX 77075 (713) 991-6052	19
18.	ADAP	75	60,000	Duane Ruble	660 Bodwell St., Avon, MA 02322 (617) 587-8400	21
19.	R&S/Strauss	72	85,000	Don Schlenger	1835 Burnet Ave., Union, NJ 07083 (201) 686-8200	24

* Reported or estimated for 1987.

** Not on last year's chart

***Privately held, declined to release figures

[1] As Checker/Schuck's/Kragen

[2] As Auto Shack

[3] Figures for Checker/Schuck's/Kragen only, not including Auto Works, U-Save and Crown Auto

[4] Includes company-owned stores only; with associate stores total is 2,032

AM's 100 LARGEST AFTERMARKET RETAILERS

1

Northern Automotive Corp.

It claims, with good reason, to be the "Nation's Largest Auto Parts Chain" in existence. It didn't exist just a decade ago.

It's Northern Automotive, Phoenix, a company that has become a major player in the aftermarket through rapid acquisitions and a desire to bound ahead.

How did it do it? Big purchases. Northern purchased several major chains in less than three years and now operates more than 800 stores. The chains it bought include Schuck's Auto, Kragen Auto Stores, Checker Auto Stores, Autoworks, Crown Auto Stores, and U-Save Auto Stores.

Northern's history starts with Schuck's Auto, (Washington, Oregon, Idaho) which was acquired by Pay 'N Save in 1983, then sold to Northern Pacific, owned by Eddie and Julius Trump, in 1985 for about $70 million. This formed the basis of Northern Automotive Corp., a division of Northern Pacific Corp., itself a division of Trump Capital Group, New York.

"The most significant event for 1987-88 so far has been our acquisitions of Autoworks, U-Save, and Crown," Fred Nelson, Northern's director of marketing and public relations, said. These were major purchases; The 57-store Crown chain alone cost some $8 million.

Now Northern is turning this plethora of chains and store types into a a group that reflects the company's premiere status. Northern's new stores, and a number that the company is refurbishing, reflect the latest thinking in store design. "We use a racetrack format with graphics that tie the store together," Nelson said. In fact, there are several racetrack formats in use, one of which is for high security areas and lacks an island in the center of the store.

Nelson said the chain also emphasizes customer service. "Take care of the customer; that's our attitude. This comes from Dan Siewert (Northern's president/CEO) and is emulated by all of our people."

What's ahead for Northern? Simple, Nelson said, "Continued expansion." The company's eventual goal is to be a truly national operation, dominating the industry. Even with all these purchases, the chain isn't in that position yet. The entire east coast, from Maine to Florida, has yet to see a Northern Automotive-owned store, neither has a large block of Midwestern states. However, given Northern's track record so far, this does not seem to be an impossible goal. ■

Rank	Chain	Stores	$ Sales (+000)*	CEO	Address and Phone	1987 Rank
20.	Action Auto	66	85,000	Dick Sabo	2128 S. Dort Hwy, Flint, MI 48507 (313) 235-5600	27
21.	Discount Auto Parts, Inc.	65	48,000	Denis L. Fontaine	4900 Frontage Road South, Lakeland, FL 33802 (813) 687-9226	20
22.	Pettigrew-Smith/Dale's	59	50,000	Ben Dacke	8119 Jensen Dr., Houston, TX 77093 (713) 695-3613	23
23.	Hi-Gear Tire & Auto Supply	56	30,000	Murray Friedman	110 Ritchie Rd., Capitol Heights, MD 20743 (301) 336-3000	22
24.	Forest City Auto Parts Co., Inc.	51	***	Arnold Bellowe	25201 Chagrin Blvd., Ste 350, Beachwood, OH 44122 (216) 292-2525	31
25.	Big Bear Stores	50	31,000	Jerry Hammeral	640 54th Ave. N., St. Cloud, MN 56301 (612) 251-9000	26
26.	Quality Stores	47	160,000	John L. Hilt	1460 Whitehall Rd., North Muskegon, MI 49445 (616) 744-2491	30
27.	Taylor Parts, Inc. (TPS)	33	17,000	James M. Taylor	208-210 E 3rd, Andalusia, AL 36720 (205) 222-6534	32
28.	Ben Pilla Speed Shops	31	10,000	Ben Pilla	118 N. Black Horse Pike, Bellmawr, NJ 08031 (609) 931-4041	33
29.	Linkon's Auto Supply	30	11,000	Leonard Linkon	2720 E. 2nd St., Centralia, IL 62801 (618) 533-1311	34
30.	Ace Auto Parts	29	21,000	T.D. Cox	4351 34th St. North, St. Petersburg, FL 33714 (813) 526-1664	38
31.	Big Wheel Auto Stores	28	17,000	R.B. Shaller	1335 Mendota Heights Rd., Mendota Heights, MN 55120 (612) 452-7484	44
32.	Parts City, Inc. (Alex. Seewald)	28	12,000	Andy Moye	1420 Seaboard Industrial Blvd., Atlanta, GA 30318 (404) 352-0146	36
33.	Twin "B" Auto Parts	26	16,000	William O'Conner	528 S. Military Hwy., Virginia Beach, VA 234[illegible]4 (804) 420-3342	37
34.	Crazy Joe's	26	15,500	Joe Armentrout	460 Armentrout Dr., Concord, NC 28025 (704) 799-6551	42
35.	One Stop Auto Parts	26	13,000	Gerald Klein	1113 62nd Ave. N., St. Petersburg, FL 33702 (813) 522-2897	**
36.	Worldwide Auto Parts, Inc.	25	15,200	Greg Haehn	3781 S. Green Rd., Cleveland, OH 44122 (216) 831-1164	45
37.	Acme Auto Supply, Inc.	25	7,500	James Fine	620 R Oakwood Ave., West Hartford, CT 06110 (203) 246-2540	40
38.	Murray's Discount Auto Stores	25	5,900	Albert Pitt	21500 Trolley Ind. Dr., Taylor, MI 48180 (313) 292-2800	41
39.	The Carport	24	***	David Fuhrman	3925 Rice Mine Rd., N.E., Northport, AL 35476 (205) 345-2400	**
40.	Fischer's Auto Parts	23	20,000	George L. Roberts	295 McCarty Dr., Houston, TX 77029 (713) 672-5678	43
41.	Slinger Sam Auto Parts, Inc.	21	7,500	Ralph & Neil Slenger	P.O. Box 2027, Springfield, MO 65801 (417) 862-8107	46
42.	Gatling's Auto Stores	20	6,500	Albert C. Premus	117 W. Peach St., Connellsville, PA 15425 (412) 628-3340	47
43.	Royal Auto Supply	20	10,000	Jon Sienn	Twin Park Industrial Center, Colmar, PA 18915 (215) 822-1359	48
44.	VIP Discount Auto	18	20,000	Thomas O. Auger	12 Lexington St., Lewiston, ME 04240 (207) 784-5464	66
45.	Giant Auto Parts	18	13,000	Robert Levy	2236 S. Hamilton Ave., White Hall, OH 43232 (614) 864-3811	**
46.	Save Auto Stores	18	10,000	Don H. Hampton	7949 S. I35, Oklahoma City, OK 73143 (405) 634-1401	49
47.	Short's Auto Parts	18	7,500	William Fox, Jr.	23444 Schoenherr, Warren, MI 48089 (313) 774-4940	69

* Reported or estimated for 1987.
** Not on last year's chart
***Privately held, declined to release figures

(Circle 24 on Product Information Card) ——→

AM's 100 LARGEST AFTERMARKET RETAILERS

2

Chief Auto Parts Inc.

CHIEF AUTO PARTS

Chief Auto Parts Inc. notes that it is "the largest chain of retail automobile replacement parts stores operating under one name." The company's stores are found in Alabama, Arizona, Arkansas, California, Kentucky, Nevada, Oklahoma, Tennessee, and Texas.

Chief's major project for the last year has been its change in ownership. It had been owned by The Southland Corp., Dallas, since 1978. Southland owns the well-known 7-11 convenience chain as well as 50% of the Citgo Petroleum Corp.

In 1987, Southland announced that it would sell its non-convenience store business, including Southland Dairies, Reddy Ice, and Tidel Systems, as well as Chief. In April 1988, Southland sold Chief in a leveraged buy-out to a new corporation formed by Chief management in partnership with a subsidiary of Shearson Lehman Brothers Holdings Inc., a firm of New York investment bankers.

Mike Manor, formerly group manager of Chief, was leader of the management buy-out. His career had actually begun in Southland as a 7-11 field representative in 1974. He became president and CEO of Chief Auto Parts, which was moved to Seagoville, TX, site of one of the company's two distribution facilities. The other is located in Cerritos, CA.

While the negotiations for the buy-out were going on, growth plans for the chain were on hold. However, since April 29th, the chain has opened 13 new stores, most of them in California, although two are near Phoenix. And, said Kenny Cason, Chief's national advertising manager, "We're going to continue to grow."

Cason attributes much of this growth to the chain's reputation for customer service. "We've had people ask us how we get such good customer service," he reported. On top of the service, Chief offers multiple locations with convenient hours. Some 45 of its stores, strategically located within reach of most marketing area customers, are open 24 hours a day. "And many, many more of then are open until midnight," Cason said.

Chief's outlets range in size from 2,400 to 5,000 sq. ft.; are open seven days a week; and accept major credit cards as well as personal checks. The company considers itself an innovator in marketing, pointing, for an example, to its five-year, 50,000 mile warranty on parts it sells. A final piece of customer service Chief offers is its 1-800 number which customers can use any time of the day or night to find out where their nearest Chief Auto Store is. ■

Rank	Chain	Stores	$ Sales (+000)*	CEO	Address and Phone	1987 Rank
48.	Performance Centers of America	17	12,000	Donald R. Raleigh	180 Whitman Ave., Edison, NJ 08817 (201) 287-5200	50
49.	Auto Parts World	17	7,200	Anthony Dabrowski	1176 W 14 Mile Rd., Clawson, MI 48017 (313) 288-0660	51
50.	Al's Auto Supply (PACCAR)	16	12,000	Ron Hollyoak	6308 Everett Greenway, Everett, WA 98203 (206) 353-1234	52
51.	B&C Auto Supply	16	12,000	Tony Gerbino	5491 Minnesota Dr., Anchorage, AK 99518 (907) 562-2047	53
52.	Grafton Corp	16	12,000	Paul C. Grafton	1006 Middle River Rd., Baltimore, MD 21220 (301) 574-1194	54
53.	Von Housen Auto Parts	16	10,500	Robert Neeley	2634 Juniper Lane, Sacramento, CA 95825 (916) 485-7552	56
54.	Kissinger Discount Auto Stores	16	3,500	Howard E. Jones	3100 N. Main St., Fort Worth, TX 76106 (817) 625-4333	55
55.	National Auto Stores	15	11,000	David M. Stein	2342 North Penn Rd., Hatfield, PA 19444 (215) 997-1300	**
56.	Butler Auto Supply	15	7,000	Milton Butler	3243 Whitfield St., Macon, GA 31297 (912) 745-9295	57
57.	Scherbas Auto Stores, Inc.	14	16,000	Ted R. Scherba	3910 El Camino Rd., Burlingame, CA 94101 (415) 342-8240	64
58.	Fletcher Enterprises	14	12,000	Jerry Fletcher	2601 N. 32nd Ave., Phoenix, AZ 85009 (602) 269-1351	29
59.	All-Parts Automotive, Inc.	14	7,500	James J. Meyer, Jr.	900 E. Tuscarawas, Canton, OH 44707 (216) 455-0881	58
60.	A&A Auto Stores, Inc. (Keystone)	14	7,000	Joseph Amato, Jr.	44 Tunkhannock Ave., Exeter, PA 18643 (717) 655-6871	70
61.	Toohey's Auto Supply Co.	14	6,500	G.W. Toohey	149 E. Woodlawn Ave., Louisville, KY 40214 (502) 368-3897	59
62.	Johnie's Discount Auto Supply	14	6,000	Johnie Marshall	627 Main St., Garland, TX 75040 (214) 272-0451	60
63.	Bennett Auto Supply	14	5,500	Allen Bennett	3869 N. Dixie Hwy, Oakland Park, FL 33334 (305) 565-4636	61
64.	Babcock Stores	14	5,200	Robert Hendrik	114 W. Woodward St., Denison, TX 75020 (214) 465-2536	62
65.	Kentucky Motor Service, Inc.	14	3,000	Anthony Neltner	235 Scott St., Covington, KY 41011 (606) 431-6025	63
66.	National Automotive Superstores	13	13,500	David H. Wallace	4317 N. Palafox, Pensacola, FL 32505 (904) 434-2371	65
67.	American Auto/Art's Auto Supply	13	13,000	Ken Millard	1011 Mason St., Omaha, NE 68108 (402) 345-1797	73
68.	Bradshaw Auto Parts Co.	13	7,500	Mark Marchant	PO Box 729, Sandy, UT 84070-0729 (801) 322-2546	68
69.	LDC Auto Stores	13	4,000	Herbert J. Katz	1400 Queen Anne Rd., Teaneck, NJ 07666 (201) 837-0777	71
70.	Auto Barn Stores	12	19,000	Herbert Blumberg	13 Harbor Park Dr., Port Washington, NY 11050 (516) 484-9500	77
71.	Knecht's Discount Auto Parts	12	11,000	Wally Knecht	3400 Main St., Springfield, OR 97477 (503) 746-4446	82
72.	L&M Tire Co., Inc.	12	10,000	Ernest J. Jubela	1535-15 E. Valley Pkwy., Escondido, CA 92027 (619) 741-4044	72
73.	Maynard Supply Co.	12	9,000	Lee Maynard	230 N. Winooski Ave., Burlington, VT 05401 (802) 658-4479	74

* Reported or estimated for 1987.
** Not on last year's chart
***Privately held, declined to release figures

AM's 100 LARGEST AFTERMARKET RETAILERS

3

AutoZone

Consumers in the Southeast, and everyone in the aftermarket, have watched the number three retail auto parts chain grow since its birth on July 4, 1979, when food distributor Malone & Hyde, Memphis, TN, formed Auto Shack. Last year it became a separate corporation, but still part of the parent.

Currently, the Sunbelt retailer has approximately 430 stores open in 16 states. Within the next year, the company will begin changing their names to AutoZone as part of an agreement with Tandy Corp. over the proprietary use of "Shack."

While the name is the most visible change within the past year for AutoZone, it's not the most significant in the eyes of the AutoZone management. "What's more important is our new electronic catalog," Frank Weightman, director corporate communications, said.

Already installed in the majority of the AutoZone stores, the electronic catalog lets store personnel find part numbers once the customer identifies his/her vehicle by made, model, year, engine size, and task. The catalog searches out the parts, shows the prices, and suggests other items related to the DIY task.

"We think it's one of the most exciting things going for us," Weightman said, "and it should be in every one of our stores by the end of the year."

The electronic catalog is just one piece of evidence of AutoZone's determination to offer a clean, well-merchandised, pleasant shopping environment for the DIYer. Shoppers who venture into an AutoZone store are greeted by a sales person, asked what they're working on, and taken to the product they need.

The number three retailer places high priority on offering the best coverage, very competitive pricing, and a lifetime warranty on 42,000 of the part numbers it sells.

"We want to provide a heavy emphasis on customer service, something that American business seems to be lacking," Weightman said.

Historically, AutoZone has opened 60 to 80 stores every year. It's reached its rank in our list without acquisitions like those which have built Northern Automotive and Chief Auto Parts Inc.

AutoZone, which was spun off as a separate corporate entity from Malone & Hyde last year, has a strong growth pattern and is aggressive outlook toward customer service. The privately-held chain may well move up the rankings when next we publish our Top 100. ■

Rank	Chain	Stores	$ Sales (+000)*	CEO	Address and Phone	1987 Rank
74.	Scogin Auto Service, Inc.	12	5,000	Joe W. Scogin	P.O. Box 618, Leesville, LA 71496 (318) 239-4553	84
75.	Professional Auto Parts Associates	12	4,200	Meyer Chernock	2230 Reisterstown Rd., Baltimore, MD 21217 (301) 669-0800	76
76.	Biomgaars	11	17,750	H.A. Bomgaars	333 Water St., Sioux City, IA 51102 (712) 277-2000	78
77.	Midwest Auto Specialties	11	8,500	David Loya	9090 Bank St., Cleveland, OH 44125 (216) 447-4470	79
78.	D.G. Nicholas Co.	11	6,000	J.B. Nicholas	Box 270, 601-615 Wyoming Ave., Scranton, PA 18501 (717) 342-7683	80
79.	Guy Henshall Supply Co., Inc.	11	4,500	Brian K. Franklin	901 S. Memorial, Tulsa, OK 74112 (918) 836-0057	75
80.	Hutchins Angert	10	15,000	L.J. Hutchins	650 Broadway, Buffalo, NY 14212 (716) 852-1730	**
81.	Auto, Truck & Van Associates	10	14,000	Walter A. Lahmann, Jr.	150 Engineers Rd., Hauppauge, NY 11788 (516) 435-4555	81
82.	Blue Star Auto Stores	10	7,500	Eugene Weisman	2001 State St., Chicago, IL 60616 (312) 225-7174	89
83.	Economy Imports	10	6,500	Peter J. Blacklock	980 George St., Santa Clara, CA 95054 (408) 988-2452	88
84.	Kar Parts, Inc.	10	3,000	Stanley Rak	1673 Oaktree Rd., Edison, JY 08820 (201) 494-8403	85
85.	Walt's Auto Parts	9	7,000	Walter H. Bryan, Jr.	6807 Stuart Ln. S., Jacksonville, FL 32205 (904) 781-0161	92
86.	Parks Auto Parts	9	6,500	Kenneth M. Parks	5429 Rivers Ave., Charleston, SC 29405 (803) 744-6278	**
87.	Cash & Carry Auto Parts	9	5,000	Steve Burt	Hwy 78 & Barry St., Oxford, AL 36203 (205) 238-8277	90
88.	Parkway Auto Parts	8	9,400	L. Williams	1174 Forest Pkwy., Lake City, GA 30260 (404) 363-1096	93
89.	Indy Auto Stores	8	5,000	Dennis Fitzgerald	8458 Sunland Blvd., Sun Valley, CA 91352 (818) 768-9017	95
90.	Thrifty Auto Parts (Republic)	6	3,500	Keith Thompson	E. 7325 Sprague Ave., Greenacres, WA 99016 (509) 924-5656	98
91.	PV Performance Centers	8	3,000	Brian Peavey	124 Eastern Ave., Malden, MA 02148 (617) 321-7414	94
92.	Seventh Avenue Auto Parts	8	2,642	Robin Conant	112 N. 7th Ave., Phoenix, AZ 85001 (602) 257-8436	96
93.	Hires Auto Parts	7	12,500	Richard Hire	7111 S. Anthony, Ft. Wayne, IN 46816 (219) 447-2582	**
94.	Eastside Auto Parts	7	8,000	Harry Bradt	8011 Truman Rd., Kansas City, MO 64126 (816) 231-8188	**
95.	Inter-City Auto Stores, Inc.	7	1,600	Stanley Ginsberg	5975 NW 82nd Ave., Miami, FL 33166 (305) 592-9211	97
96.	Wingate Automotive	6	3,000	I. Fred Anderson	900 NE 3rd Ave., Ft. Lauderdale, FL 33304 (522-6211	100
97.	Katella Auto Parts, Inc.	6	2,500	John Lown	1877 W. Katella Ave., Anaheim, CA 92804 (714) 635-5541	99
98.	B & B Auto Parts	6	2,500	Robert Rivily	401 Ranier Ave. N., Renton, WA 98055 (206) 772-6380	**
99.	Sanchez Auto Supply	6	2,100	Eddie Sanchez	1613 Castroville Rd., San Antonio, TX 78237 (512) 434-7244	**
100.	Osborne Distributing Co	5	10,000	Lloyd O. Osburne	3908 Wilbarger, Vernon, TX 76384 (817) 552-7711	**

* Reported or estimated for 1987.

** Not on last year's chart

***Privately held, declined to release figures

AM's STATISTICAL SUPPLEMENT

In an industry where hard, honest data is hard to come by, there are still some statistics to help make decisions.

by **Philip Katcher**, Research Editor

There have been some interesting changes in basic aftermarket statistics since last year—changes that have very real marketing implications.

The big jump in car registrations seen before in some states has slowed. States are neither gaining, nor losing, car population at the same high rates they did in 1985.

For example, the 1985 car registration in New Hampshire jumped 85% over what it had been in 1975. In 1986, however, the percentage fell to 51. At the same time, there had been a 14% decline in the number of cars registered in the District of Columbia in 1985 compared to 1975; this had turned around, to indicate a 24% *increase* in the number of cars registered in the District in 1986 compared to 1975.

These two examples suggest that there are no really booming states in which to open aftermarket stores, that the country's car population is growing at a more

ESTIMATED MONTHLY RETAIL SALES, 1987 (in millions of dollars)

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total	% of Change
Home & Auto Supply Stores	1,984	2,184	2,218	2,176	2,173	2,234	2,257	2,326	2,306	2,329	2,305	2,343	24,493	+ 1.2%
Dept. Stores	7,954	12,096	11,892	11,950	12,111	12,094	12,162	12,309	12,166	12,322	12,403	12,548	142,007	+ 0.1%
Serv. Stations	8,754	8,192	8,407	8,598	8,549	8,602	8,806	8,945	8,872	8,801	8,761	8,687	103,973	+14.2%

ESTIMATED MONTHLY RETAIL SALES, 1986 (in millions of dollars)

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total	% of Change
Home & Auto Supply Stores	1,759	1,606	1,853	2,070	2,130	2,109	2,292	2,106	2,105	2,193	2,045	1,984	24,205	+ 0.7%
Dept. Stores	7,964	8,049	10,769	10,644	11,985	10,971	10,519	12,037	10,866	11,810	14,222	22,071	141,897	- 5.3%
Serv. Stations	8,067	7,122	7,173	6,941	7,442	7,451	7,390	7,110	6,873	7,022	6,675	6,923	89,189	+16.9%

Source: Bureau of the Census

PRIME DIYERS' CARS

DIYers do the most work on cars that are around seven years old instead of newer or older. Stocking, therefore, to meet their demands requires knowing what sort of cars sold best seven years ago. Below, we list the 1982 car models and the numbers of each specific model sold that year. The scrappage rate of these cars between 1981 and 1985 was 5.8%.

Cars	Number sold
Alfa Romeo	2,193
AMC	
Spirit (Gremlin/AMX)	16,182
Concord (Hornet)	30,869
Eagle	36,209
Renault Alliance	30,173
BMW	52,392
Checker	1,926
Chrysler	
TC3	39,704
Horizon 4-door	46,704
Reliant	146,762
Gran Fury	18,256
LeBaron	88,575
Cordoba	15,828
Chrysler	62,725
E-Class	9,241
Imperial	2,601
O24	41,275
Omni 4-door	40,002
Aires	113,076
Dodge 600/400	28,946

Cars	Number Sold
Diplomat	24,866
Miranda (Magnum)	5,624
Challenger	14,128
Dodge Colt	37,902
Champ	37,129
Sapporo	13,068
DeLorean	3,130
Fiat	
Ferrari	686
Fiat	14,113
Lancia	1,174
Ford	
Thunderbird	42,585
LTD	26,628
Granada	94,942
Fairmont	139,056
Escort	337,667
EXP	39,021
Mustang	119,526
Mercury	77,348
Cougar XR7	56,438
Marquis	10,645

Cars	Number Sold
Zephyr	42,363
Lynx	95,959
LN7	13,107
Capri	31,280
Lincoln	42,537
Mark	27,920
Continental	22,611
Courier Truck	32,967
General Motors	
Chevrolet	
Chevrolet	204,193
Corvette	22,477
Monte Carlo	98,954
Celebrity	212,047
Camaro	182,848
Citation	186,782
Cavalier	121,392
Chevette	231,927
LUV Truck	22,304
Pontiac	
Pontiac	4,176
Grand Prix	159,831

Cars	Number Sold
6000	55,624
Firebird	105,686
Phoenix	49,527
Sunbird/2000	87,048
1000	51,257
Oldsmobile	
Oldsmobile 98	89,223
Toronado	34,362
Cutlass/Clera	113,367
Omega	72,392
Forenza	28,282
Supreme	281,120
Delta 88	180,839
Buick	
Riviera	43,673
Century	99,873
Regal	222,169
Skylark	141,766
Skyhawk	46,942
LeSabre	109,002
Electra	59,586
Cadillac	

Cars	Number Sold
Cadillac	154,229
Eldorado	57,263
Seville	24,029
Cimarron	13,774
Honda	365,865
Accord	212,237
Civic	23,010
Isuzu	33,131
Jaguar (BL)	10,349
Mazda	204,670
Mercedes-Benz	68,814
Mitsubishi	5,214
Nissan	578,173
Peugeot	14,323
Toyota	674,554
Volvo	72,375
Volkswagen	
Audi	45,954
Porsche	14,406
Volkswagen	68,365
Golf (US-made)	73,911
Jetta (US-made)	230

Sources: Domestic car data, Motor Vehicle Manufacturers Association. Imported car data, copyright 1985, Ward's Communications, Inc. Reprinted with permission.

AM's STATISTICAL SUPPLEMENT

constant rate across the country than it had been before.

In much the same way, where last year we reported major monthly retail sales swings, ups and downs varying greatly according to month, this year the peaks and valleys have, to a large extent, evened off. Where department store sales in December 1986 had been more than twice what they were in February 1986, in 1987 these two months were quite comparable.

What we did see, were some interesting changes in specific product sales. Increases in the sales of batteries, brake cleaners, carb and choke cleaners, and lubricants and silicones were all noted in 1986 over 1985. There was, however, a drop in sales of separately packaged gallons of antifreeze/coolant, car body and interior cleaners, engine degreasers, lock and windshield deicers, refrigerants, and tire inflators.

This year, too, we've taken a detailed look at the vehicular lighting aftermarket, thanks to a new study on the subject produced by The Freedonia Group Inc., Cleveland. Essentially, the group sees the whole market growing at some 4.6% annually, reaching sales of some $1.9 *billion* by 1992. They see glass and metal sealed beam sales growing 6% and spot, fog, and auxiliary lighting sales growing 6.1% for the category's best bets in retailing. ■

U.S. VEHICULAR LIGHTING SHIPMENTS (In $ Millions)

Item	1987	2000
Glass, Metal Sealed Beams	343	600
Spot, Fog Auxiliary	104	175
Parking, Dome, Tail, Other	674	850
Other Devices	263	475
Bulbs	104	160
Parts, Attachments	48	115
Total	1,536	2,375

Source: The Freedonia Group

SALES OF SELECTED RETAIL PRODUCTS

Item	Unit	1986
Batteries, Replacement	Batteries	60,306,004
Antifreeze/ Coolant	Gallons, Separate	121,873,204
Cleaners, Brake	Tinplate Containers	18,756,991
Cleaners, Carb & Choke	Tinplate Containers	40,068,117
Cleaners, Exterior	Tinplate Containers	13,036,609
Degreasers, Engine	Tinplate Containers	7,822,988
De-Icers, Windshield, Lock	Tinplate Containers	4,963,257
Lubricants & Silicones	Tinplate Containers	131,500,064
Refrigerants	Tinplate Containers	64,185,181
Tire Inflators & Sealants	Tinplate Containers	15,885,284

Sources: Chemical Specialties Manufacturers Association, General Battery Corp.

MOTOR VEHICLE REGISTRATION BY STATE OR DISTRICT

State	% Growth Of Cars 1975 to 1986	Passenger Cars 1975	Passenger Cars 1980	Passenger Cars 1986	Light Trucks 1986
Alabama	22	1,876,000	2,105,546	2,417,000	807,691
Alaska	38	135,000	156,000	217,000	117,068
Arizona	33	1,109,000	1,372,742	1,662,000	649,896
Arkansas	7	875,000	1,036,456	939,000	428,317
California	26	11,392,000	13,268,456	15,384,000	3,306,974
Colorado	30	1,429,000	1,739,718	2,027,000	638,161
Connecticut	21	1,870,000	1,984,064	2,377,000	116,345
Delaware	25	289,000	321,644	383,000	82,167
District of Columbia	24	249,000	247,137	328,000	8,075
Florida	40	4,855,000	6,196,637	8,142,000	1,788,397
Georgia	23	2,609,000	2,932,464	3,375,000	1,165,458
Hawaii	22	428,000	514,509	589,000	73,569
Idaho	21	419,000	513,256	528,000	252,353
Illinois	12	5,406,000	6,240,460	6,137,000	1,043,809
Indiana	15	2,572,000	2,872,006	3,035,000	791,591
Iowa	23	1,528,000	1,678,976	1,988,000	582,800
Kansas	15	1,271,000	1,387,847	1,490,000	539,129
Kentucky	7	1,653,000	1,807,358	1,777,000	729,835
Louisiana	21	1,635,000	1,968,041	2,079,000	851,050
Maine	19	520,000	518,079	641,000	187,416
Maryland	22	2,180,000	2,345,047	2,771,000	490,093
Massachusetts	15	2,787,000	3,289,836	3,264,000	396,904
Michigan	20	4,619,000	5,246,057	5,762,000	1,106,712
Minnesota	29	1,967,000	2,314,444	2,744,000	497,788
Mississippi	18	983,000	1,219,147	1,375,000	341,486
Missouri	18	2,180,000	2,432,407	2,648,000	848,841
Montana	3	370,000	419,700	382,000	188,468
Nebraska	2	826,000	835,644	842,000	312,951
Nevada	31	348,000	471,593	502,000	189,048
New Hampshire	51	418,000	471,593	854,000	154,719
New Jersey	14	3,839,000	4,256,753	4,428,000	343,434
New Mexico	25	552,000	686,626	732,000	438,293
New York	17	6,772,000	6,994,316	8,185,000	965,767
North Carolina	14	2,844,000	3,395,784	3,314,000	1,038,127
North Dakota	12	332,000	364,909	376,000	182,266
Ohio	11	6,206,000	6,415,046	6,972,000	1,170,032
Oklahoma	26	1,425,000	1,807,643	1,915,000	851,532
Oregon	15	1,331,000	1,538,556	1,561,00	506,544
Pennsylvania	(6)	6,354,000	5,821,025	5,980,000	1,051,371
Rhode Island	1	510,000	542,462	517,000	82,281
South Carolina	19	1,384,000	1,533,081	1,715,00C	491,097
South Dakota	23	337,000	369,549	429,000	214,223
Tennessee	34	2,029,000	2,564,551	3,070,000	715,634
Texas	28	6,165,000	7,484,817	8,606,000	3,364,2[illegible]5
Utah	17	608,000	678,027	733,000	316,076
Vermont	25	235,000	270,[illegible]7	315,000	89,476
Virginia	27	2,785,000	3,071,878	3,838,000	833,701
Washington	29	1,883,000	2,293,521	2,652,000	833,701
West Virginia	16	720,000	928,962	860,000	295,986
Wisconsin	13	2,194,000	2,399,134	2,528,000	580,232
Wyoming	32	193,000	277,906	286,000	140,502
Total	21 (avg)	107,371,000	121,723,650	135,671,000	33,330,055

Sources: Motor Vehicle Manufacturers Association; U.S. Department of Transportation's Table MV-9

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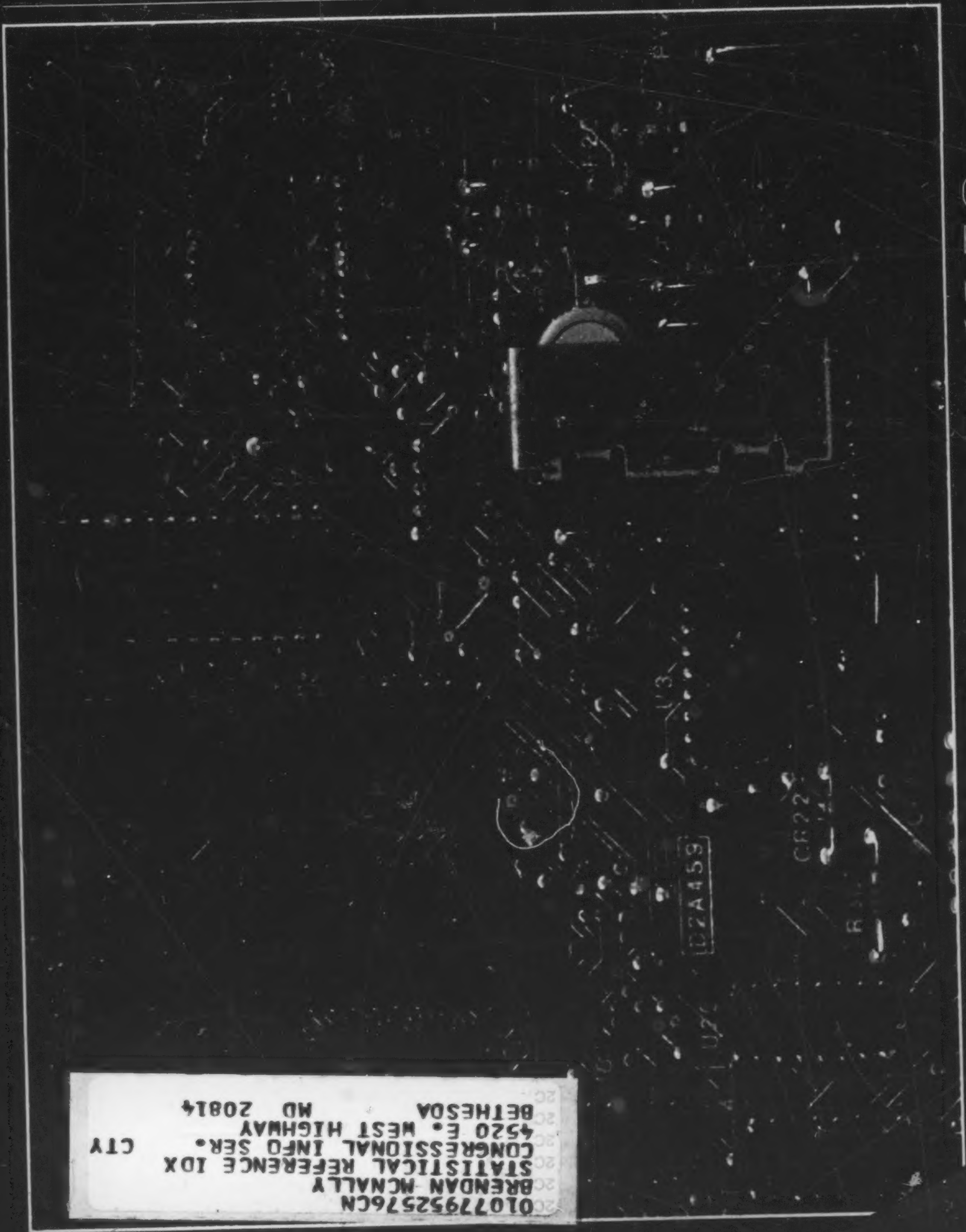
Chilton's

AUTOMOTIVE MARKETING

The Marketing/Business Magazine For The Retail Aftermarket

SEPTEMBER 1988



Our Crystal Ball Says Electronics & Component Computerization Will Be Paramount. How Will It Affect The Retail Aftermarket?

Fall/Winter Selling:

A Thumbs Up Season

Is There A Beetle In Our Future: Part Two

The Search For A DIY-Perfect Car Continues

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FEATURES

The Car Of The Future 34
Predicting what the car of the future will be is hard, but it's clear that DIYers will have to learn to think maintenance, not repair.

Service Report: Looking For Potential "Beetles" 41
What about the current "econoboxes?" Are any of them the next DIYers' "dream" cars?

Fall/Winter Selling: A Thumbs Up Season 48
Retailers see a great Fall/Winter selling season as sales continue to boom.

DEPARTMENTS

Detailing The Market 5
Editorial 14
The *Automotive Marketing* Index 16
Market Line 21
Employees & The Human Factor 53
Products 55
Reader Service Card 57
Rep Guide 59
Ad Index 62

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PUBLISHER'S NOTES

OUR THUMBS UP ISSUE

John Hill of the Crazy Joe's operation is very optimistic about Fall/Winner sales. He assured us that this will be a "thumbs up" season. Others on our Retail Panel agree. For more information, read Research Editor Philip Katcher's article about the sales season now upon us.

To boost the season's sales, we provide you with good ideas about capitalizing on sales opportunities in our Merchandise Ideabook, printed as a convenient pullout insert so you can share it with in-store personnel.

Looking a little further into our future, Senior News and Features Editor John Wirebach writes about the cars of the future. Key word? Computerization. Key phrase? Maintenance rather than repair.

We asked Contributing Editor David Evans to pretend he was a retail buyer at the recent APAA Show. He reports on some of his favorite products in our Detailing The Market section. You'll find other post-APAA Show news there, too, and in our Market Line analytical section.

We've worked hard, and well, to package all this information for you in our customary efficient and attractive *Automotive Marketing* format. We hope you think it's a thumbs up issue too, and that it's helpful to you and your business. Good selling, and let us hear from you. ■

Sah J Frkn
Sarah Frankson,
Publisher

DETAILING THE MARKET

IN-STORE FOCUS

PARTS CITY INC.
Headquarters: 1420 Seaboard Industrial Blvd.,
Atlanta, GA 30318
(404) 352-0146
Stores: 28
Total Chain Sales: $12,000,000
Average SKUs: 12,000
Founded: 1890 (Alexander Seewald); 1972 (Parts City)

Moye

SEAT COVERS
PAINT
CAR CARE
AIR F

One of the oldest, and more traditional, WD firms in the country owns the up-and-coming Parts City retail parts chain headquartered in Atlanta.

Until the early 1970s, Alexander Seewald, founded in 1890 as a retailer of bicycle parts and accessories, sold exclusively to jobbers. But in 1972, the firm took over its troubled customer, Tiger Auto Parts, and renamed the chain Parts City.

The reason for the venerable institution's venture into retailing, Andy Moye, Parts City president, said was the farsightedness of company president Jack Alexander II.

"He saw retailing as the wave of the future," Moye explained. "He wanted clean stores, lighted merchandise out front—and the opportunity presented itself because Tiger was going bankrupt." According to Moye, Alexander saw an opportunity to express his ideas about future parts sales operations, and also a way to save a valuable customer.

Moye came on board two and a half years ago, from a retail background at Richway and Federated Department Stores. He first attempted to "get hold of systems. The stores had had problems maintaining margins," he explained. "Our aim was to reduce shortage so we could keep the margins we were earning.

"The main thing to do is to focus not only on one thing like that, but to make everyone want to fix it. Everybody in the entire operation must know it's important, and work on every little thing which has an effect on it."

As one result of this policy, every Parts City store must balance the books monthly, reconciling every discrepancy. And, "they must check every shipment in full as it comes in," said Moye. "This is a very controversial practice, both within the company and in the industry, but again, we get everybody involved in the process, and understanding how important it is. If you say it's not important, or it's too insignificant to make a difference, people get the wrong message."

Moye has also repositioned the stores. "We've started promoting at much sharper pricing," he said. "We are more oriented toward consumer goods in our ads and in our merchandise mix." Parts City makes its own purchases of strictly retail accessory items, sometimes providing those to Alexander Seewald customers through the AS warehouse.

In addition to competing on price, Parts City is changing the look of its stores. The model store, which just opened on a heavily trafficked street in Savannah, GA, has 3,800 sq. ft. of sales area, features neon signs in the windows, universal parts symbols on the store's exterior, and a racetrack layout with new triangular wall fixtures. The store is the first in the chain built from the ground up.

The racetrack is turned on a 45° angle, and broken into easily identified departments. Lower gondolas give it a clean.

"That sales floor is not a warehouse," Moye said. "Warehouses belong in the back of stores or at headquarters, not where the customer can see them. If this means having open space, cutting down on the height of the gondolas, or being creative in fixturing, we'll do it. We want to add drama and bring the customers into an interesting looking store."

The entire merchandising scheme of this store, which will be duplicated in the chain's other stores, presents a dramatic effect. "Fashion stuff is what the customers don't know we have," said Moye.

Why Savannah for its prototype? Moye explained that Parts City was once the dominant retailer in this area, but AutoZone, Nationwise, and Western Auto are providing strong competition. "We're trying to recapture the town," Moye explained.

PROFILE: FILTER DIYers

Drawing from the 1988 *Automotive Marketing Consumer Automotive Repair Study*, we look at DIYers who purchased and installed oil, gas, or air filters during the previous 12 months.

			Age					Income				Hours Per Month Spent On DIY			
Total	Male	Female	-25	25-34	35-44	45-54	55 +	-$20K	$20-30K	$30-40K	+40K	-1 Hrs	1-5 Hrs	6-10 Hrs	11 + Hrs
100.0%	84.2%	15.8	24.1%	27.3%	17.1%	14.7%	16.2%	23.9%	26.0%	16.8%	27.1%	12.4%	55.3%	18.1%	12.5

DETAIL

70%

more miles were driven by every member of the U.S. population in 1987 than were in 1970, according to the Federal Highway Administration and Current Population Reports.

THE
AUTOMOTIVE MARKETING INDEX

THE 1988 *AUTOMOTIVE MARKETING* MARKETBASKET

To determine the price movement, *Automotive Marketing* created a "marketbasket" of the best prices available for nine popular aftermarket products. We determine the best available price of each item in each marketing area each month to come up with an average marketbasket index. The products include a non-resistor spark plug; an oil filter; a can of 10W30 motor oil; a can of paste wax; an AM/FM/Cassette radio; a gas-charged shock absorber; a gallon of antifreeze/coolant; a pair of windshield wiper refills; and a 40-month-warranty battery. These products are usually on sale somewhere within each marketing area, which we define by their unique geographic, meteorological, and consumer characteristics.

JUNE 1988 NATIONAL AVERAGE MARKETBASKET PRICES

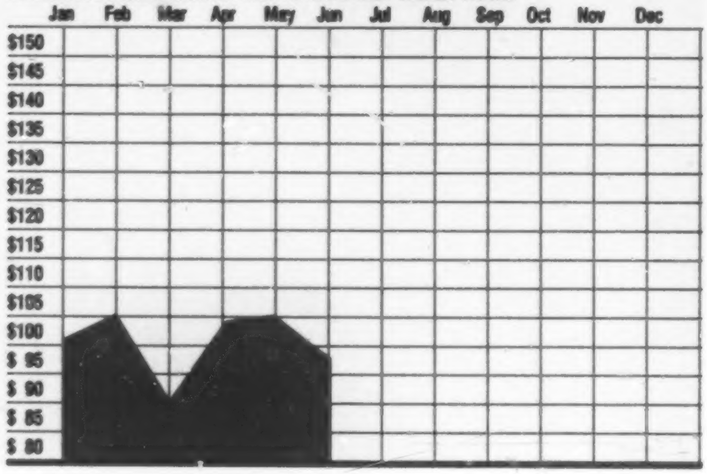
A non-resistor spark plug:	$ .78	A gas-charged shock:	$ 14.75
An oil filter:	2.11	One gallon of antifreeze:	4.25
A can of 10W30 oil:	.72	One pair of wiper refills:	1.49
A can of paste wax:	2.51	A 40-month battery:	34.45
An AM/FM/Cassette:	38.75	**Total:**	$ 97.30

JUNE 1988 AM MARKETBASKET PRICES BY MARKETING AREA

10
9
7
8
6
3
2
1
4
5

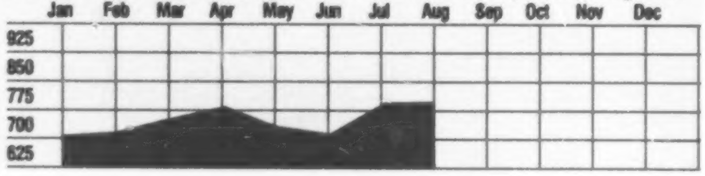
1. Greenbelt East:	$101.54
2. Megapolis East:	105.47
3. Smokestack East:	$ 86.26
4. Old South:	95.51
5. Caribbean South:	97.30
6. Smokestack Central:	90.29
7. Grainbelt Central:	100.26
8. Spanish West:	104.28
9. Desert West:	103.53
10. Greenbelt West:	116.35

NATIONAL AVERAGE MONTHLY 1988 AFTERMARKET BASKET PRICES

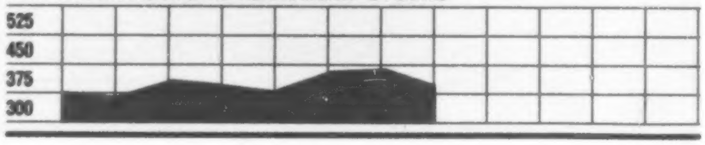


DOW JONES 65 COMPOSITE STOCKS

Dow Jones 65 composite stock and *AM's* 17 aftermarket stock price as of August 10.



AM 17 COMPOSITE AFTERMARKET STOCKS



1988 AFTERMARKET STOCK PRICES

Prices for the 52 week period prior to August 10.

	Exchange	52-week High	52-week Low	8/10 Quote	P-E Ratio
Action Auto	NASDAQ	8 ½	3 ¾	7	24
Allied Signal	NYSE	48 ¾	26	34	11
Armor All	NASDAQ	27 ¼	10 ¾	21 ⅜	20
Arvin	NYSE	37	14 ¾	21 ¾	26
Audiovox	AMX	14 ⅞	4 ¼	4 ⅜	7
AutoSpa	NASDAQ	4 9/16	⅞	1 ⅝	77
Big Bear	NASDAQ	27 ¾	14 ⅞	27 ½	13
Champion Parts	NASDAQ	12 ⅜	4	6 ⅜	29
Champ Spk Plg	NYSE	16 ⅜	7 ⅞	12	31
Chevron	NYSE	60 ¾	32	46 ¼	11
Chrysler	NYSE	48	19 ⅝	22 ½	5
Coachman	NYSE	13 ⅝	6 ⅝	11 ¼	36
Cooper	NYSE	74 ½	39	52 ¼	14
Dana Corp.	NYSE	54 ¼	27 ½	35 ¼	10
Durakon	NASDAQ	14 ¼	7 ½	14	15
Echlin	NYSE	19 ⅝	10 ¾	17	18
Equion	NASDAQ	8 ⅜	4	6	9
Ford	NYSE	56 ¼	30	50 ¼	5
GM	NYSE	94 ⅛	50	75 ¾	6
Genuine Parts	NYSE	44 ⅜	27 ¼	33 ¾	16
Gn Auto	AMX	6 ⅜	1 ⅜	1 ⅝	61
Goodyear	NYSE	76 ½	35	57 ½	6
Jiffy Lube	NASDAQ	18 ¼	6 ½	9 ½	22
JP Industries	NYSE	24 ⅞	12	16 ¼	11
K mart	NYSE	48 ⅜	21 ⅝	32 ⅝	10
Lancaster Colony	NASDAQ	26	15 ¼	18 ¼	12
Masco	NYSE	39 ¼	18 ¾	26	13
Meyer, Fred	NASDAQ	17 ⅞	9 ½	13 ⅜	10
Mobil	NYSE	54	32	44 ⅛	11
Modine	NASDAQ	22 ¾	11 ¾	17 ⅛	10
Mr. Gasket	NASDAQ	7 ⅝	4 ⅜	4 ¾	18
PACCAR	NASDAQ	39	21 ¾	37	–
Prkr Hannfin	NYSE	49	24 ½	29 ¼	13
Pennzoil	NYSE	81 ¼	38 ½	71 ¼	94
Pep Boys	NYSE	18 ⅞	9 ½	11 ⅝	19
Quaker State	NYSE	27 ⅛	12 ⅞	19 ¾	35
Rite Aid	NYSE	46 ¼	28 ½	33 ½	14
Sears	NYSE	59 ½	29 ¾	35 ⅝	9
Snap On	NYSE	46 ½	24 ¼	34	14
Stan Mtr Prod	NYSE	21	11 ⅛	13	15
Steego	NYSE	6	2 ½	5	–
Sun Co	NYSE	65 ½	34	56 ⅝	80
Superior Ind	AMX	17 ¾	8 ⅛	17	10
TBC Corp.	NASDAQ	15 ¼	3 ¾	13 ⅝	11
TRW	NYSE	70	37	43 ⅛	10
Tenneco	NYSE	62 ½	36 ⅛	45 ⅞	–
Texaco	NYSE	52 ½	26 ⅞	46	13
Triad Systems	NASDAQ	14 ¾	7 ½	12 ⅜	13
Walbro	NASDAQ	35	16 ¾	32 ¼	20
Wal Mart	NYSE	42 ⅞	20	30 ⅞	26
Wickes	NYSE	21 ½	7 ¼	8 ⅞	9
Witco	NYSE	42	26 ⅝	36	10

(Circle 12 on Product Information Card) →

16

product catalogs.

And, Canadian Tire sees a continuation of the light truck growth trends. "After all," Smitko said, "added truck life will continue to increase a demand for replacement parts." ■

Mergers: Fewer Clients, Stronger Contracts

The impact of mergers and acquisitions on the aftermarket is fewer clients, bigger budgets and the "importance of contracts," according to Doug Maehl.

And Maehl ought to know. He is vice president of marketing at Northern Automotive, Phoenix, the largest aftermarket chain of owned stores, a 826-store chain created through mergers and acquisitions.

Maehl was one of three speakers at an APAA Show Seminar on mergers and acquisitions. The panel, consisting of Maehl, David Weiss, a rep with Marc Alan Associates, River View, NJ, and Joe Hrudka, CEO and president of Mr. Gasket Co., Cleveland, an amalgamation of some 20 performance companies presented about 150 attendees with the pros and cons of the subject. Dick Weinberg, publisher of *Aftermarket Business*, Cleveland, moderated the panel.

Stronger Contracts

Maehl said the sheer size of Northern meant that the chain could not afford continuous supply source changes and thus it seeks long term commitments from its suppliers.

Maehl said that to get a long-term commitment, Northern considers suppliers with money to invest as Northern continues to grow; distribution that can service Northern stores across the country; and product guarantee and training.

"To sum up," he said, "The number of mergers and acquisitions will require changes by manufacturers and reps to service national chains. Simple, isn't it?"

Weiss followed with some negative thoughts on the wave of acquisitions from a rep's point of view.

"I've never been involved in a merger that resulted in more sales," Weiss said. "It's never one plus one equals three, as everyone expects. It's always one plus one equals maybe one and a half after lots of grief."

He noted the rep's duty was to fight for the smaller chains in his territory. He predicted that if mergers and acquisitions continue, the APAA Show in 1992 might be, "Doug and Joe (Hrudka, the third speaker) emerging from a phone booth."

Hrudka concluded with more positive thoughts from the supplier's point of view.

A Good Way To Run A Company

Hrudka, an Indianapolis Hot Rod Champion in 1961-62, joked that when he was racing, he asked Hurst Shifters for some parts. "They turned me down in 1963. Now I own the company." Hrudka's most recent acquisition is Thrush Mufflers.

"You can't run companies by the book," Hrudka said. "When W.R. Grace ran Mr. Gasket, it wasn't very successful. We used to bet they couldn't find the gas tank on a car." Hrudka said the reason he has succeeded was that he could develop products for performance people because he had been a performance person.

Judging from responses by Maehl and Hrudka to questions from the audience, the rep may be in for hard times. Maehl said Northern was not ready to pay for reps servicing stores. He suggested that service was a matter for the rep and supplier to agree on. Hrudka added that inside factory salesmen were the key; he sees a lot less use of reps in the future.

Responding to another question, Weiss added that reps must keep small companies alive or, like Wal-Mart has done in some towns, the aftermarket will become a retail desert for them. ■

SPANISH AMERICANS

In a study of 24 heavily Spanish American markets, markets containing 79% of all Spanish Americans, R. L. Polk & Co., Detroit, found that Spanish Americans bought 225,798 new cars and 111,589 new trucks. Polk estimates total vehicle sales to Spanish Americans of 427,072. In our chart, we've noted the vehicles with the highest percentage of Spanish American buyers in the 24 markets (limited to vehicles selling more than 10,000 units).

Vehicles	% Of Spanish American Buyers
Nissan Pick-Up	15.7
Toyota Pick-Up	13.9
Hyundai Excel	13.7
Mazda Pick-Up	13.0
Nissan Sentra	12.7
Isuzu Pick-Up	12.5
Toyota Van	12.5
Chevrolet Spectrum	12.2
Dodge Compact P/U	11.8
Chevrolet Compact P/U	11.5

Source: R. L. Polk & Co.

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Looking For Answers In The Crystal Ball

Predicting what the car of the future will be is hard, but it's clear that DIYers will have to learn to think maintenance, not repair.

By **John Wirebach,**
Senior News & Features Editor

Keeping up with the car of the future is going to be a major challenge for the aftermarket. That's about the simplest statement we can make about the subject. It's going to require a commitment to training at all levels. And a constant effort to keep the DIYer aware that he can work on his car, although the nature of that work may change.

Just for a simple example, take the anti-lock braking systems (ABS) coming onto the market. Although there's some dispute about how soon and how many cars will be equipped with ABS, the resulting increased safety might easily make them federally required.

The ABS concept is simple: each wheel contains a sensor that reports how fast the wheel is turning to a central computer. The computer anticipates skids by determining when brake pressure will provoke a lock-up. It momentarily releases pressure on only that wheel and then administers staccato pressure, much as a professional driver would pump the brakes, but faster. ABS provides a shorter braking interval, but more importantly, allows the driver to maneuver while braking.

There's no question that the ABS is much safer than standard hydraulic brakes, but there is concern about the price. ABS will add about $1,000 to the price of a car, so the ABS will first appear on luxury models. However, as the cost comes down, experts see ABS in general use by the mid-1990s, except for the most inexpensive economy models.

DIYers account for about a third of brake pads/shoe replacement today. But that proportion may seriously decline when faced with ABS. The word "computer" scares many DIYers. However, except for sensors and the central computer, there's virtually no change in brake work with ABS. DIYers can still work on brakes. But as the training manager of one supplier put it, "The aftermarket is going to need an education process to show the ABS can be fixed by anyone. The basic fundamental repairs will be there for a while yet."

The key for the aftermarket: educating DIYers to the fact that they can still do the job. And, as computerization and electronic controls dominate more systems on cars, keeping up with new technologies will be critical for aftermarket suppliers and distributors.

Factors Of Change

However, talking about the car of the

CAR OF THE FUTURE

I: GLOBALIZATION AND THE CAR OF THE FUTURE

Between joint ventures by domestic and import OEs and the construction of American plants by Japanese companies, the car of the future will truly be a global car. Here's a look at what U.S. companies are doing and considering.

Ford

Owns 49% of a joint venture in Brazil with VW to make trucks.

Owns 25% of Mazda, which makes the Ford Probe in Flat Rock, MI.

Owns 10% of Kia Motors (Korea).

Assembles Mercury Tracer in Hermosillo, Mexico.

Considering joint venture with Nissan.

Total 1987 Imports: 41,051.

General Motors

Owns 50% of Daewoo Motors (Korea), which makes Pontiac LeMans

Owns 41.6% of Isuzu, which makes Chevrolet Spectrum in Japan.

Owns 5.3% of Suzuki, which makes Chevrolet Sprint in Japan. The two companies are building a Canadian plant to make light trucks.

Has a 50/50 joint venture with Toyota in Fremont, CA. United Motor Manufacturing. Makes Chevrolet Nova (142,934 in 1987) and Toyota Corolla.

Total 1987 Imports: 172,775.

Chrysler

Owns 24% of Mitsubishi, which makes various cars and trucks for Plymouth and Dodge models. The two companies are building a plant in Bloomington/Normal, IL.

Owns 15.6% of Maserati which will make Chrysler sports car.

Total 1987 Imports: 134,328.

Source: Automotive Marketing from various reports and studies.

future today is much harder than it once was. As one technical director said, "You might be able to predict what's going to happen three years out. Beyond that, it's anybody's guess. Everyday I see patents abandoned before they're even approved."

How much of this technology becomes part of the everyday car of the future depends on many factors. What seems logical and sensible in 1988 may be outmoded or unnecessary by 1995. So we might consider several factors that will influence the car of the future:

- Competition
- Globalization
- Government regulations
- The price of oil
- Demographics

The most important factor is increased competition among car makers and the resulting overcapacity. As recently as 1970, there were only half a dozen car makers selling large numbers of cars in the U.S. Today, there are 15-20 car makers selling cars with varying degrees of success. U.S. consumers can choose among some 200 models.

II: GLOBALIZATION AND THE CAR OF THE FUTURE

Between joint ventures by domestic and import OEs and the construction of American plants by Japanese companies, the car of the future will truly be a global car. Here's a look at what Japanese companies in the U.S. are doing and considering.

Japanese Companies Already In The U.S.

Company	1987 Production
Honda Marysville, OH	324,065
Nissan Smyrna, TN	102,718 trucks 117,334 cars
Toyota Fremont, CA	43,744
Mazda Flat Rock, MI	4,200

Japanese Companies Building In The U.S.

Company	Planned Plant Location
Toyota	Georgetown, KY.
Fuji/Isuzu	Lafayette, IN

Source: Automotive Marketing from various reports and studies.

In addition, technology has enabled OE car makers to speed up the pace of bringing cars to market. Not so long ago, car makers planned new cars five to six years out. But that's a dead concept. Five years from drawing board to production is a luxury that no car company can afford.

GM is a good example of why not. Starting with close to a 50% market share in the U.S. as the 1980s began, GM fell to about a 37% market share by 1988. One major factor in the decline was the much criticized look alike down-sized cars GM produced in the 1980s.

However, in fairness to GM, planning and design of these cars began when high fuel prices looked as if they would last indefinitely. At that time, down-sizing and limiting model change costs made sense. But the recession-bound economy of 1981 was not a good predictor of the new car market for the mid-to-late 1980s.

Today, OE planning cycles are down to two to three years due to computer-aided design, engineering, and manufacturing. The pay-off of computer technology and automation allows OEMs to react quickly to redesigns. In fact, GM's Cadillac division established a record by redesigning the sheet metal of its 1988 El Dorado and going into production in just 12 months.

Such quick reaction will be a key to survival for the OEMs and a good reason to hedge any bets on what the cars we'll see in the next 10-20 years will look like, or what technology they will use.

overcapacity Also A Factor

But no one has solved the problem of overcapacity. The Department of Commerce (DOC) predicts a flat new car market for the next five years at about 10.5-11 million cars per year, assuming there's no major economic slump.

The DOC also estimates that Japanese car makers will control as much as 45% of the American market by 1995. In addition to the gains from domestic car makers, the rise in Japanese sales will make European car makers strictly niche marketers. The DOC sees a small gain for Korean cars.

North American overcapacity is estimated to be about four million vehicles a year now. New Japanese transplant facilities will add about 2.5 million more units of overcapacity. Clearly, some sort of shake-out among OE companies is coming, but predicting who's going to survive is tough. For example, who would have predicted the success of Hyundai five years ago?

A Global Industry

Predicting who the survivors is an interesting game. But no matter who survives, the automotive industry is now a global industry. Not only is competition stiffer among companies but technology from overseas impacts the U.S.

For example, while GM touts its 16-valve, Quad-4 engine, Honda and Toyota have been selling 16 valve engines for some time. Other new technologies such as the ABS and four-wheel steering are also imports to the U.S. The University of Michigan's *Delphi IV Forecast and Analysis of the U.S. Automotive Industry Through 1995* of future automotive technology suggests that as much as a third of all research and development will be offshore by 1995, while imported products

CAR OF THE FUTURE

[illegible] When Ford Motor Co. [illegible] out of the [illegible] model year 2000 [illegible] the items listed [illegible] Ford [illegible] will be [illegible] the year 2000

Standard Features

- Torque-oriented power train: 4 cyl., [illegible] valve, turbocharged, [illegible] with variable intake manifold, distributed ignition, computer multi-mode electronic engine control
- Automatic transmission with electronic control
- Electrically assisted steering
- Aerodynamic package with automatic ride height control and variable spoiler
- Adjustable driver information center with "soft" switches
- Zone-adjustable climate control
- Electronic anti-theft system
- Multiplexing, dual voltage, and load priority management with [illegible] battery
- Diagnostic system with on-board maintenance advisor

Options

- Fully automatic torque split all-wheel drive
- All-wheel steering
- Computer controlled electro-hydraulic active suspension
- Heads up display
- Personalization package with voice programming
- Rapid response heater
- Electrochromic glass
- Telephone with voice dialing
- Deluxe audio package
- Driver assist collision avoidance package
- Navigation aids
- Rear seat video entertainment center

Source: Ford Motor Co.

will make up at least 25% and perhaps as much as 65% of U.S. components.

One reason for this is the joint-venture relationships between American and foreign car companies. Ford has lined up with Mazda, GM with Toyota, Isuzu and Subaru, and Chrysler with Mitsubishi. How the joint venture schemes will change the car of the future is not yet clear. Right now, the domestic OEs simply see the Japanese companies as suppliers of small cars to be sold under American nameplates. But this could change. Likewise, the impact of so much foreign technology and components on the American aftermarket remains to be seen.

Government Influence

Government regulations could change the competitive situation. While strict tariffs or trade protection is not likely, the possibility is there.

However, a more important area of government intervention lies in safety and emissions legislation which is a real possibility. The increased safety of an ABS might hasten its use by car makers, while increasing cries for better air quality might easily speed the use of electronic engine controls.

FORECAST OF NEW CAR SALES

Forecasts by the Department of Commerce see a rather flat market for new car sales with increasing overseas competition through 1991

Vehicle Type	1988 ([illegible] 000)	1989 ([illegible] 000)	1990 ([illegible] 000)	1991 ([illegible] 000)
Traditional Domestic	6,370	6,130	5,990	6,110
Domestic Captive Imports	320	335	380	420
Japanese Imports	1,860	1,825	1,790	1,765
Japanese Made In U.S.	890	1,260	1,545	1,775
European Imports	490	485	450	450
Korean Imports	380	460	545	580

Source: Department Of Commerce

Indeed, air quality groups in Southern California recently submitted a plan to the Environmental Protection Agency (EPA) that would require converting at least 40% of the cars in Southern California to clean fuels such as methanol or electricity by 1998 and all cars by 2008.

The effect of such a law on the car of the future would be staggering.

The Price Of Oil

Then there is always the possibility of another gas shortage. Fuel economy has fallen in importance as a major selling item for new cars. Gas has been reasonably priced (or at least perceived as reasonable by consumers) for the last three years. In the early 1980s, the price of a barrel of oil was close to $30; today, it's about $18. Right now, experts say the price of fuel will probably rise to about $1.75 a gallon by the late 1990s. In 1979, by contrast, the same experts pegged the price of fuel in the 1980s to over $2 per gallon and to almost $4 by 2000.

But there is always the chance that lines at gas stations will return. American imports of oil are well over the levels of the early 1970s, while American exploration for oil is almost nonexistent. Thus, any short-fall in Mideast shipments could spell disaster for the U.S.

If this should happen, fuel economy will again be important. Although American car makers are slightly better prepared today then they were in the late 1970s, the impact could be severe. On the other hand, Japanese car makers, which profited from the first gas shortages, have been moving into the higher-priced performance and large car market and they, too, could be hurt.

However, more important than the competitive aspects, many technological advances could be postponed or neglected should the car makers return to a federally mandated and consumer driven race for fuel economy.

Demographics

Finally, there are the demographics of the American market. Lower population growth, especially among higher income groups, means fewer young people buying cars. In addition, some 87% of American households already own at least one vehicle. The growth in the number of working women is leveling off which means fewer new working women coming into the new car purchase market, and perhaps, fewer second car purchases.

More importantly, there has been a decline in real disposable income. There's been lots of talk in the last few years about the real possibility that today's young people will not live as well as their parents. The percentage of households owning their own homes has dropped about 2% in the past five years to about 72%. And, those who do buy homes are burdened with onerous mortgages. Couple these factors to the possibility of rising interest rates, and the chances for a large increase in new car sales look dim.

The increasing costs of a new car has also played a large role in slow sales. Right now, it's impossible to see a car ad without the ad mentioning some kind of give-back, rebate, or special low interest arrangement. No one, including import car makers who several years ago used dealer surcharges to increase profits, is selling cars on anything but price. No one is selling cars on technology.

For example, along with ABS, computerized suspension and ride control is a potential goal. The system works on the same principle as the ABS and it can prevent spin by using the ABS to apply braking or the engine control to reduce fuel. The benefits? Maximum traction, better control on wet roads, safety on turns. However, the cost is close to $2,000 (in addition to the ABS cost) a car and it's questionable that large numbers of people will voluntarily pay that much for safety. As a result, engineers see active suspensions reaching only 10-20% of the market by the mid-1990s.

So it's entirely possible that the automotive market may become two distinct markets: one of economy cars with half a dozen large OE companies competing on the basis of lowering production costs; and a second market of expensive, technologically advanced cars, consisting of OE niche marketers.

For aftermarket suppliers, this may be a boom, as OEMs depend on outside suppliers for more research and development. In the highly competitive market of the 1990s, car makers are less likely to expend large sums on research to develop new technology. Indeed, rather than devising and refining technology, it would seem that car makers, faced with over capacity and competition, will be forced to use their profits to keep their plants at a cutting edge so as to reduce their costs.

For distribution, the only sure-fire bet is that service, maintenance, and repairs will change. The DIYer will have to adapt if he is going to remain a viable customer for the retail aftermarket.

The GM Quad-4

Let's take another example. GM is touting its Quad-4 as its engine of tomorrow. If not the Quad-4, something very much like it. It has 16 valves, fuel injection, direct ignition, and computerized control. Starting with Oldsmobile and Buick models, as many as a quarter of GM cars will use the Quad-4 by 1990.

Probably the most striking thing is what's missing on the Quad-4. Computerized engine control is so effective it eliminates the EGR system, mass airflow meter, cold start injectors, distributor, spark plug wires, and a secondary air injection system. The ignition system is nonadjustable, with spark control totally regulated by the electronic control module.

However, although the spark plugs are hidden under an aluminum plate, just four bolts loosen the plate for easy access. The oil filter and starter motor are in plain view at the bottom of the engine. The fuel pump is in the gas tank.

A GM employee intimately acquainted with aftermarket aspects of the Quad-4 said there's not a lot a DIYer can do with the Quad-4. "To work on the engine, you must see a technician," he said. "It's not the desire of the manufacturer to eliminate DIY work, but manufacturers are pursuing driveability, reliability, and durability. We want a long-term car that will go seven or eight years without major repairs. To do that, you have to make the engine better. People are not going to pay high prices for cars unless they're better cars," he said.

"Our big challenge," he continued, "is to teach consumers and installers that the tune-up is dead. Maintenance is the key word now. Change the oil, change the filter. The car will not deteriorate as long as you keep up good maintenance habits. I believe that DIYers will be able to do less and less engine repairs. It's harder to do without expensive equipment. But on the other hand, there's less that's needed. Driveability problems will have to go to GM technicians. Maintenance jobs can still be done by the DIYer."

At The Installer Level

At the installer level, however, the GM employee believes gas stations and local garages can compete with car dealers and repair the Quad-4 by using the latest hand-held test equipment. However, he warned, "The tolerances are critical. It's important to keep technicians from being parts replacers. You have to know exactly what the problem is. Exact replacement is critical. You can't use cheap lines. It behooves a WD to align himself with an OE supplier for training and parts."

One ignition manufacturer we spoke with at the APAA Show disagreed. An executive with Wells Mfg. Corp., Fond Du Lac, WI, said the DIYer was not out of business. "For any component that fails, the DIYer can easily find the problem. Diagnosing a bad component, fuel, injection, wiring, whatever, will be easy as soon as test equipment becomes more affordable, say in the $200 range," he said.

"The old system was not so simple to repair. But we took it for granted and learned to work on it. The same thing will happen. The DIYer only has to learn to work on one car. He can get a dedicated manual, a jobber with good training, and he's back in business. And in the long term, think about the kid who's grown up with the computer and thinks of it as just another tool. You have a computer problem and he's not going to think twice about fixing it. The automotive use of computers is pretty simple. It's a basic program. The controls are simple."

The executive also thinks the local gas station can do the job. "There's no reason a gas station can't do the same job a dealer can. Sure, there's new tools needed. But there's always an investment. The largest investment is going to be in education. You're going to have to ally yourself with a supplier with training available. If the supplier's not willing to train, you probably have the wrong supplier."

Eliminating Repairs

Although suppliers differ on how much and with what difficulty DIYers can work on the new technologies, the car makers would like to eliminate repairs forever. There's already been progress toward the maintenance-free car: batteries no longer need service, electronic ignitions have eliminated the tune-up, tires seal their own punctures, platinum spark plugs go 60,000 miles before replacement, and stainless steel exhaust systems have doubled the life of a standard exhaust system.

Computerized engine controls adjust the mixture of gas and air so that the engine stays efficient even as spark plugs wear out and air filters get dirty, and the quality of gas varies.

In addition, the underhood computer plugs into diagnostic equipment to report on the status of engine components. And, in the newest concepts, the underhood computer will even spell out what maintenance is needed to sustain the car's driveabilty.

For example, BMW now offers a diagnostic system that spells out in green, yellow, and red lights when the car needs an oil change. The computer not only calculates mileage, but the number of times the car is started and stopped, driven cold, and at what speeds. At service time, the green lights goes off and a yellow light appears. A red light signals past due service. BMW plans to extend the diagnostics to filters, brake pads, spark plugs, and other maintenance items. Other OE manufacturers plan similar systems.

For distributors and retailers, it means a market with continuing parts proliferation as new cars last longer and the high price of new cars keeps older cars on the road longer.

For example, although OE makers are trying to reduce the number of components in new engines, an ignition supplier noted there were close to 5,000 new part numbers added in 1988. Choosing just what parts to carry is going to be even more crucial to the retailer in the 1990s.

With computers, design engineering can produce concepts only dreamed of ten years ago. Some advances will be only gimmicks—the tail fins of the 1990s. But some will change the fundamentals of driving.

Likewise, some technology will be easily absorbed by the retail market while some will require a fundamental change in the way a retailer goes to market. Keeping aware of technology is critical. ■

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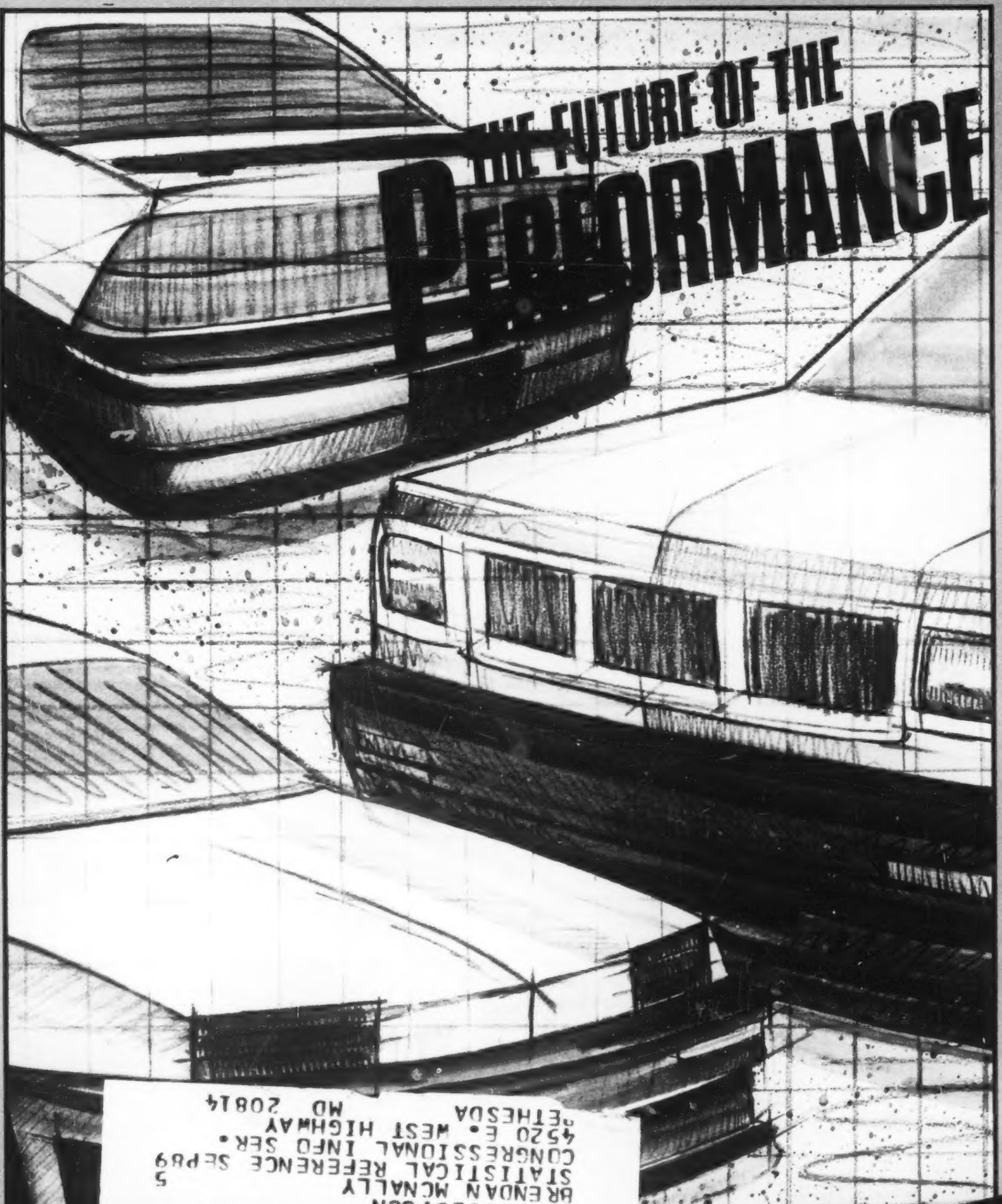

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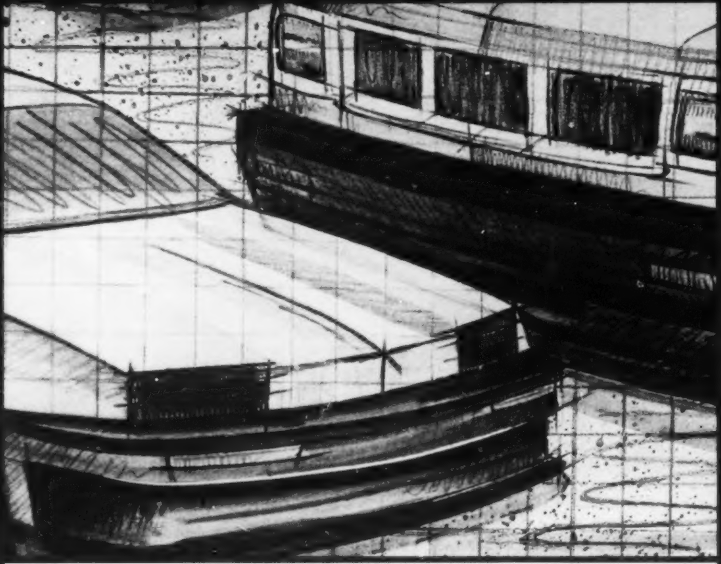

FEATURES

SEMA: A Look At Future Markets 37
In midsummer, we moderated a discussion among performance and accessory parts industry leaders who are active in SEMA. Here it is, in part.

Heads Up For Ground Effects 50
Who would dress a car up in a skirt? Performance-minded DIYers, that's who.

Import Parts Distribution 54
The import distribution channels are murky. Here are some guideposts to help you sort them out.

Found! The DIYers' New "Dream Car" 62
Eureka! We've found the DIYers' new "dream car." Are you stocking products for it yet? If you're not, you should be.

The Future Aftermarket 69
A look in the aftermarket's crystal ball reveals lots of questions for the future, and a few answers, too.

DEPARTMENTS

Detailing The Market 5
Editorial 16
Market Line 18
Employees & The Human Factor 73
Products 74
Rep Guide 87
Ad Index 90
Reader Service Card 91

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PUBLISHER'S NOTES

SEMA/AI SPECIALS

In this issue, it's hard to decide just where to begin.

Since our emphasis this month is the upcoming SEMA/AI Show, we've paid great attention to both the performance and imports parts market segments in our editorial coverage.

This year the Specialty Equipment Market Association celebrates its 25th anniversary. For a look at the years ahead, we asked performance industry leaders to participate in a roundtable discussion. Read our transcript of this fascinating conversation. I hoped it would go on forever!

Senior News & Features Editor John Wirebach looks at the three phases of import parts distribution in his analytical piece on the distribution channels.

Contributing Editor David Evans kicks in two pieces, one looking at the hot product line of aerodynamics and the other at the DIY car of today and tomorrow. Read his thoughts on market opportunities with the Suzuki Samurai.

Touche Ross's Randy Allen forecasts the shape of Aftermarket 2000, using our own *Automotive Marketing* research. There's lots more, too.

If you're at the SEMA/AI Show, be sure to take advantage of our SEMA/AI Show Installation Clinics. We're pleased to sponsor these with our sister division, the Chilton Book Co. Look us up there, too, in Booth 2808!

Sarah Frankson
Publisher

DETAILING THE MARKET

IN-STORE FOCUS

Blue Star Auto Stores Inc.
Headquarters: 2001-8 S. State St., Chicago, IL 60616
(312) 225-7174
Stores: 10
Total Corp. Sales: $7,500,000
Average SKUs: 10-12,000
Founded: 1918

BLUE STAR AUTO STORES
AUTO
Complete... Service Dept.
OPE
ERS, OIL
BODY

A fixture in Chicago's inner city, Blue Star Auto is celebrating its 70th year as a family-owned operation. Founded in 1918 as an auto supplies/used parts outlet by Sam Weisman, the business grew and flourished throughout the Midwest. In 1936, Weisman acquired a chain of paint stores, which he changed into auto supplies outlets. Eventually, Blue Star was pared down to Chicago area operations, and there it remains.

The company still owns the original Blue Star store, which in fact is the chain's headquarters and flagship operation, and it has managed to remain successful despite the difficult location.

Gene Weisman, nephew of the founder, is the chain's president. He runs the business with his brother Yale, and Yale's two sons.

Weisman describes his business as 95% DIY, 5% commercial. Weisman, who avoids labeling inner city areas as problems, attributes this success to "service with knowledgeable people" and a knack for meeting consumer demand.

Blue Star operates like many other successful chains. All ten stores, which range in size from 3,400 to 10,000 sq. ft., have the same format. The customer walks in the door and immediately confronts the parts counter. The counter may be either right or left of the door, depending on the configuration of the store. The counter layout forces the consumer to turn and walk down at least one aisle; there he sees gondolas running at right angles to the parts counter, with seasonal end caps on every aisle.

The product mix is the same in each Blue Star store—approximately 50% parts, 50% accessories and chemicals.

Most of the parts are for the U.S. vehicle market; there is some coverage for foreign autos, but the parts section "matches the market," according to Weisman. Best sellers in all stores are ignition parts, chemicals, and motor oil.

"We also do very well in special accessories popular with inner city markets," Weisman said. These include items such as custom wheels and body treatments.

Gene Weisman

Blue Star, which operates its own warehouse and has just installed a state-of-the-art computerized POS ordering system, meets special requests with "a unique special order system," Weisman said. "We can order from unusual sources all over the world, from contacts we've built up over the years."

Blue Star stores have an identifiable look: their large, bright window graphics are designed to make the urban stores look larger. A color scheme of grey and blue is carried out in exterior and interior signage. Ads also have a distinctive look. The firm advertises exclusively by newspaper, every Thursday. Weisman directs all the firm's advertising, and participates in layout and production.

Each Blue Star store is open seven days a week, from 8:30 am-7 pm on weekdays, 8:30 am-6 pm on Saturdays, and 9:30 am-3:30 pm on Sundays. The only concession to the stores' inner city locations, Weisman said, is "burglar bars to prevent smash-and-grab."

Plans for the future, according to Weisman, include two more stores in the same area. He and his family are committed to Chicago; committed to Blue Star. "After all," he said, "I've been doing it for 40 years."

DETAIL

30%

of American drivers are younger than 30 years old, according to the Motor Vehicle Manufacturers Association.

PROFILE: WINDSHIELD WIPERS OR BLADES DIYers

Drawing from the 1988 *Automotive Marketing Consumer Automotive Repair Study*, we look at DIYers who purchased and installed windshield wipers or blades during the previous 12 months.

			Age					Income				Hours Per Month Spent On DIY			
Total	Male	Female	-25	25-34	35-44	45-54	55 +	-$20K	$20-30K	$30-40K	+40K	-1 Hrs	1-5 Hrs	6-10 Hrs	11 + Hrs
100.0%	68.0%	32.0%	13.0%	28.3%	24.1%	13.3%	20.7%	22.2%	20.1%	24.0%	22.9%	11.9%	63.5%	14.7%	7.7

SEMA and the SEMA Show to "the way the entire specialty aftermarket is taking off." Last year, SEMA produced its first market study of the performance market. The study predicted 11.2% growth for the specialty market until the 1990s. The second specialty market study, which will be released at this year's show, forecasts an even higher growth rate, up to 14.3%. "If the current sales growth continues to 1990, as it should," King said, "it will mean a 74% sales growth in the specialty market between 1985 and 1990."

The SEMA Show itself reflects that growth. The SEMA Show has more than doubled in size between 1983 (1,215 booths) and 1988 (2,504 booths at press time).

Ford Featured Car Company

Ford will be the featured car company. Along with unveiling its Motorsport program at the Show, Ford will present seminars on aerodynamics, electronics, and other performance-oriented topics on Innovations Day and during the Show.

Ford's racing ambassador, Formula-1 racer Jackie Stewart, will be the keynote speaker at the Innovations Day Luncheon. Stewart recorded 27 Grand Prix wins in 99 starts during his 12-year career. Twenty-five of the wins were with a Ford/Cosworth DFV engine. He is now technical advisor to Ford.

SEMA president Chuck Blum said, "We are delighted to have Ford as the official feature car company at the 1988 Show. Together we have some terrific surprises planned for the Show."

On Tuesday, November 1, SEMA will hold its annual Awards Banquet at the Las Vegas Hilton. Awards will be given for best new products, packaging, and merchandising in several categories. Since the Banquet is only one week before the presidential election, candidate and comedian Pat Paulsen will campaign for votes at the Banquet. Joining Paulsen is comedian Jerry Seinfeld.

SEMA will hold seminars on selling products for light trucks and street rods on Monday and Wednesday mornings preceding the show exhibit hours. Exhibit hours run from 10 a.m. until 6 p.m. on Monday and Tuesday and 10 a.m. until 5 p.m. on Wednesday. During the Show, there will be technical seminars and a first time feature, 36 product installation clinics, sponsored by *Automotive Marketing* and the Chilton Book Co., Radnor, PA. Once again, SEMA will feature a state-of-the-art store on the show floor.

AI EXHIBITORS & BOOTHS

Mergers, acquisitions, currency devaluations, and growing competition from domestic suppliers have hit the AI Show hard in recent years. But the Show remains the only national exhibition by independent distributors of OE quality parts for imports. Figures for 1984 are misleading since that Show was held concurrently with APAA and AI.

Year —	Exhibitors	Booths
1987	146	326
1986	156	331
1985	181	386
1984	144	275
1983	177	318
1982	225	420

Source: AI

Along with SEMA activities, AIA will hold its annual Awards Reception on Monday, October 31, at the Riviera Hotel. The organization will name the AIA Person of the Year and Hall of Fame Inductees at the reception.

On Tuesday, AIA will present the results and applications of its ongoing import jobbers study at a seminar preceding the show exhibit hours. At 5:30 that evening, AIA offers a cocktail reception followed by a Import Market Roundtable on counterman training, both at the Convention Center.

Blum noted that the 1987 SEMA/AI Show drew 13,597 verified buyers, "This is the highest number of verified buyers to ever attend any automotive aftermarket show." He would not be surprised to have even more at this year's Show. ■

CA May Say "No" To Gas-Powered Cars

If California's role as a trend-setter holds true, gasoline-powered vehicles may be scarcer in the future.

Two powerful Southern California environmental watchdog groups, the South Coast Air Quality Management District (SCAQMD) and the Southern California Association Of Governments (SCAG), have proposed sweeping legislation that would ban gasoline-powered cars from their region within 20 years.

More Legislation To Come

What the two agencies are proposing is the type of environmentally-based legislation that will keep OEMs and aftermarket suppliers on their toes for the next decade, according to Linda Hoffman, vice

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president for international and government affairs of the Automotive Parts & Accessories Association (APAA), Lanham, MD.

"This kind of legislation has been around for the last 20 years. And while this case sounds particularly extreme, we should not make light of it. The 1990s are going to be strong years for environmental legislation. We will see more of this," Hoffman said.

Faced with a federal court order to reduce smog to meet federal health and clean air standards, the SCAQMD and the SCAG have outlined a 20-year plan that would force many drivers into electric-, propane-, or methane-powered vehicles.

Under the proposed plan, owners of fleets in Southern California will be required within five years to buy "clean fuel" vehicles when they replace existing vehicles. The rule would affect about one million vehicles, including the region's rental fleet.

The SCAQMD already has power to force such a change. The agency hopes the move will help drivers familiarize themselves with "clean fuel" vehicles and give OEMs an incentive to build the cars.

What It May Mean

Other points of the proposed legislation include:

- Converting at least 40% of non-fleet passenger vehicles and 70% of non-fleet trucks to "clean fuels" by 1998. By the year 2008, ten years later, virtually all vehicles would be required to be powered by "clean fuel."
- Stiffening existing vehicle pollution controls such as the emission and inspections program within five years.
- Preventing additional traffic in the region with increased mass transit, staggered work hours, and by providing incentives for businesses to move out of the most badly polluted areas.

THE CAUSES AND COSTS OF POLLUTION

The EPA believes cars and other vehicles produce much of the smog in Southern California. And while the probelem will be a costly one to solve under legislation now proposed – an estimated $9.4 million a day through 1993 – the region's bad air is already an economic burden.

Type Of Air Polution	% Caused By Vehicles
Reactive Organic Gases	52%
Nitrogen Oxides	72%
Carbon Monoxide	96%

Pollution Effects	What It Costs S. CA Annually
Health (sick days, doctor & hospital bills, lost production)	$13 Billion
Crop Damage	$7 Million
Materials Damage (buildings & other structures)	$57 Million
Visibility Degradation (tourism, etc.)	$275 Million

Source: EPA, South Coast Air Quality Management District, Southern California Association Of Governments estimates

The proposed legislation will be submitted to the federal Environmental Protection Agency (EPA) for approval. If the EPA okays the plan, local governments will still have to adopt new legislation and raise new money to make the plan work. But the EPA has warned Southern California that if it does not act, the federal agency will act for it.

The moves are necessary because Southern California has the worse air quality in the nation and most of the pollution is caused by vehicle emissions, according to the EPA. The area's ozone level is three times higher than the acceptable national health standard, levels of particulate matter in the air are 80% above federal standards, and it is the only area in the country that still violates nitrogen dioxide standards.

Impact Still Unknown

"California has done the most work on air quality standards – even more work than the federal government – because its air is so bad. But we believe there should be a cost/benefit analysis done on this type of legislation," Hoffman, who has testified before the SCAQMD on other matters, said.

Robert Burch, vice president for technical and legislative affairs of the the Specialty Equipment Market Association (SEMA), Whittier, CA, said his association did not feel proposals would harm its members businesses.

"There would be no problem for manufacturers of modified parts in dealing with cars designed to run on alcohol. In fact, in some cases there could be advantages. The problems happen when you try to convert gasoline powered cars to alcohol fuel," Burch, who has helped the EPA test alternative fueled vehicles, said.

Neither SCAQMD, SCAG, APAA nor SEMA has any idea how the proposed legislation would impact the aftermarket financially or otherwise at this point. But if it is approved as proposed, store gondolas in Southern California could be carrying whole new lines of parts for "clean fuel" vehicles 20 years from now. ■

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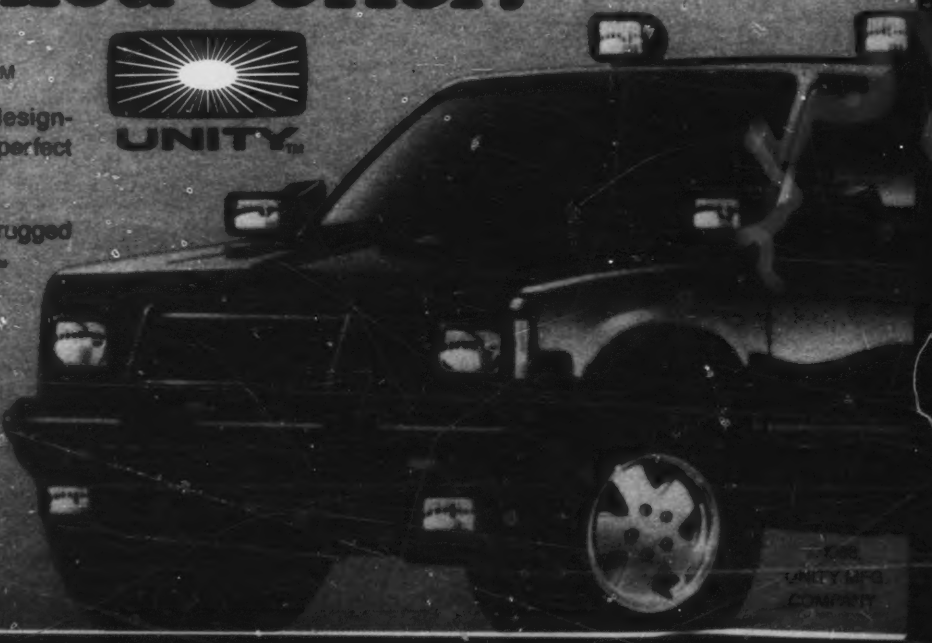

inventory turns that not only outperform the industry but nearly double the industry average," a program aimed at improving the retailers' bottom line. Loulis also cited consumer rebates as "an example of an effective promotion designed with the retailer and his consumer customer in mind."

At Maremont

Maremont, Carol Stream, IL, also wrote to talk of customer priorities. Ronald Newton, vice president, marketing, said that Maremont recently redesigned its packaging for its gas-charged lift support product line to double the amount of product merchandised per linear foot of display space.

When Maremont introduced the industry's first complete gas-charged lift support program, "Our blister pack provided a large area for graphics for describing the product's features and educating the consumer about lift supports," Newton said. "Now the public is aware of the product and its advantages, so we have redesigned the packaging." The new package opens and closes easily for consumer inspection or return to inventory in an undamaged package, should a customer bring the lift support back to the store. ■

To determine the price movement, *Automotive Marketing* created a "marketbasket" of the best prices available for nine popular aftermarket products. We determine the best available price of each item in each marketing area each month to come up with an average marketbasket index. The products making up the marketbasket are usually on sale somewhere within each marketing area, which we define by their unique geographic, meteorological, and consumer characteristics.

[illegible] MARKETBASKET PRICES BY ITEM

[illegible]

[illegible]

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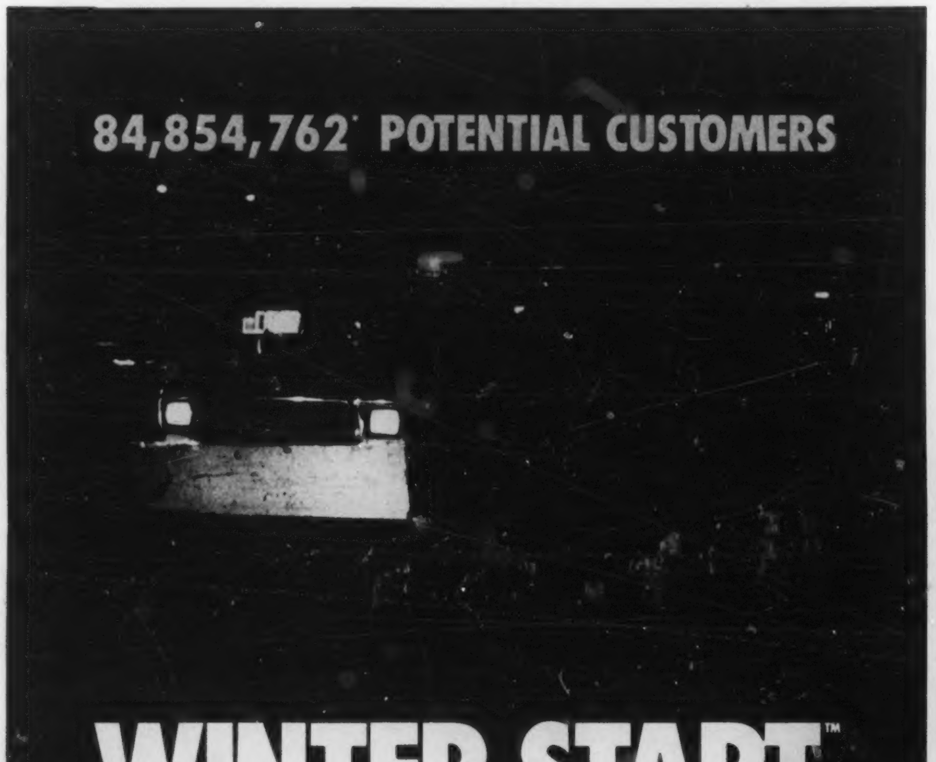
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IMPORT PARTS DISTRIBUTION

The import distribution channels are murky. Here are some guideposts to help you sort them out.

by **John Wirebach,**
Senior News & Features Editor

First, some numbers:

Some 4.7 million import cars and trucks were sold in the U.S. in 1987, according to R.L. Polk & Co., Detroit, registration figures. As of June, 1988, another 2.2 million import cars and trucks had been registered in 1988. Roughly 28 million import vehicles are on the road today, or about 22% of the vehicle population. And, according to the Department of Commerce (DOC), the import carmakers will sell even more vehicles in the next five years. The DOC predicts the import carmakers will sell about 41% of all new cars by 1993 versus 31% in 1987.

Speaking to the Frost & Sullivan conference held recently in Toronto, John Ayers, marketing vice president of Allied Aftermarket Div., East Providence, RI, likened the growth of import cars to a revolution.

"We in the aftermarket must act. We must act smart, decisively, and fast. If we do not, our loss will be measured in revenues slashed, profits evaporated, and market share shrunk. We will suffer these effects as drastically and as rapidly as did the Big Three automakers when the import revolution struck them a decade ago in the aftermath of the oil embargoes," Ayers said.

The reason for such frightening talk is that until now, the import vehicle repair market has been dominated by the OE dealer network and the import specialist. Both of these channels source a majority of their parts overseas. A survey by Easton Consultants, Hopkinton, MA, found that domestic parts suppliers received only 11.3% of their sales from parts for import vehicles in 1986.

At the distribution level, based on estimates from all segments of the market, the sales of parts for imports breaks down like this:

- Import car dealers: 40-45%
- WD/Jobber channel: 25-30%
- Retail chain stores 15-20%
- Import specialists 15-20%
- Specialty service: 5-10%

There have been three stages of growth for the import parts market in the U.S. First, the general feeling was, "Ignore imported cars (basically German Volkswagens), they'll go away." Because domestic repair shops shunned imported cars in the 1960s and early 1970s, a separate import specialist repair market, mainly for Volkswagens, found work. Because OE car manufacturers did not want to supply independent import specialist repair shops, except at prohibitive prices, a group of expeditors grew up, buying OE parts in Europe and selling direct to repair shops.

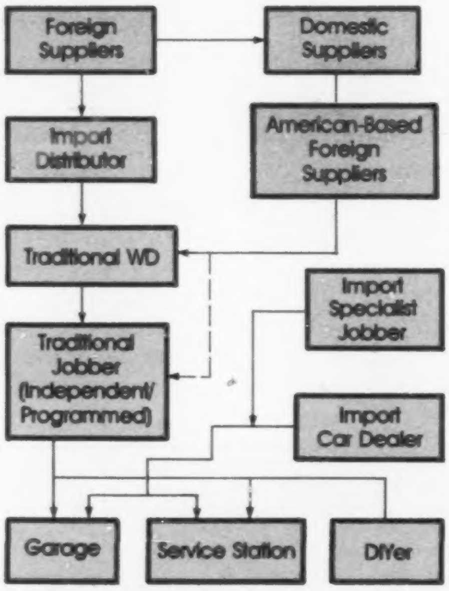
"Expeditors began as the schlock end of the industry," Hank Allessio of Easton Consultants, said.

"Typically, they bought a container of low-priced VW parts, opened the yellow pages, and peddled the parts over the phone. Then they bought some more."

As the market grew, the expeditors became much more sophisticated, as did their customers. The expeditor is still a key component of the market, although mainly the European car repair market. In fact, because the imported vehicle market is such a niche market (there are some 30 import makes on the road), Ed Kaufman of Lindsey-Kaufman, Tenafly, NJ, who's preparing a study of the import market for Frost & Sullivan, sees a bigger role for the expeditors in selling imported parts.

TRADITIONAL CHANNEL

Most traditional WDs have now lined up with a full line import distributor to supplement domestic lines and to provide import parts to their jobbers. In addition, domestic suppliers and American-based foreign suppliers supply some lines. But at the installer level, there is considerable buying out from specialists and import car dealers.



"There're hundreds of small companies selling $6-$15 million, handling short lines in certain categories and certain makes. They have a very low profile and they're proliferating. They represent a channel for reaching the car dealer and the specialist. Some import car dealers buy as much as 10-20% of their inventory from expeditors," Kaufman said.

So, the first stage was primarily a European market, spurred on by the huge sales of VWs in the late 1960s (almost 600,000 a year). Japanese cars appeared on the market only in the late 1960s (Toyota in 1968 and Nissan in 1969). Although Japanese sales were slow at first, the first gas crisis in 1973 found consumers seeking economical cars.

The Second Stage

The second stage was basically Japanese. Hurt by the devaluation of the dollar versus the German mark, Volkswagen sales dropped from 573,000 in 1970 to under 200,000 by 1980. Fueled by a second gas crisis and raging inflation, Japanese car sales rose from about 375,000 in 1970 to about two million in 1980.

In the second stage, the import distributors came into prominence and grew with the rising number of Japanese cars. These companies, such as Beck/Arnley, Nashville, TN; Vera, Piscataway, NJ; Geon, Cerritos, CA; Lazorlite, Fremont, CA, and several others, differed from expeditors in significant ways.

While expeditors tended to sell by make of car or by line of part, the import distributors sold full lines, usually about 18-20,000 SKUs. Thus, the import distributor offered jobbers a way to cover all imported cars, which became critical as new makes and models appeared on the roads (only three import makes sold more than 50,000 new cars in 1970; by 1980, 14 import makes sold more than 50,000).

And while the expeditors sold direct to repair shops, the import distributors originally sold through import specialist jobbers. Indeed, several of the import distributors owned jobber stores. Geon, for instance, operated as many as 100 at one time and still owns about 35.

By 1987, Beck/Arnley (now merged with Worldparts), the most successful import distributor, did about $110 million a year, while Geon and Vera were both in the $50 million range.

The second gas crisis in 1979 and the recession from 1980-82 turned the corner on the import market. Japanese vehicle registrations doubled from about 8 million in 1978 to almost 16 million in 1983. The need for parts to repair and service these vehicles led the import distributors to set up programs to sell to traditional WDs and jobbers. In addition, a second line of import distributors such as IAPCO, Avon, MA, and MPA, Huntington Station, NY, offered short lines (about 2,000 SKUS) of OE quality parts to retailers and jobbers who didn't want the full lines.

With numbers like these, everyone, at every level of the market, has tried to sort out import coverage. There is a grudging and growing acceptance of the fact that the imports are here to stay and the aftermarket must deal with imports more efficiently than in previous years.

The Third Stage: Here And Now

Retailers have done the best and worst jobs, depending on the point of view. To some suppliers who'd like to sell them, the average auto chain is not doing well.

"Most retailers are only interested in the A parts for the A cars," Randy St. John, president/CEO of GKN Aftermarket Parts (parent of Beck/Arnley and Worldparts) Inc., Nashville, TN, said.

"They don't want to get any deeper. So that limits their potential. Carrying A's will give you 60-70% coverage. But can you attract your share of business? In my opinion, no. The advertising must speak to import owners and you have to express it in the store. The jobber/retailer that can sell wholesale to support the inventory necessary will get more share," St. John said.

And Eric Roberts, vice president of IAPCO, noted, "It takes a lot to pull an import program together. Retailers are usually better equipped to sell merchandise than to source it. It's not an easy business. Generally, no retailers are doing a great job with imports. Very few retailers match their sales with local import registrations."

But retailers, by and large, have been able to service the DIYer who owns one of the more popular imported makes. Most auto chains have been able to use a combination of domestic suppliers' line extensions and a short line import distributor to fill DIYer needs.

Another program popular with retailers like Nationwise, Columbus, OH, and AutoZone, Memphis, TN, is about 1,800 SKUs in the stores backed up by 12,000 special order parts in regional warehouses. The reasoning is that it reduces the need for specialized counterpeople in the stores. One retailer noted that it was impossible to have high-caliber parts people in each store and "still compete at McDonald's wages. So our theory is to have the experts here at our warehouse and only entry level people in the stores."

However, the growing number of import vehicles will give retailers more sales in accessories, chemicals, batteries, and oil, in addition to some basic DIY parts for imported vehicles.

The growth in import sales will also help the service specialist. This segment already deals directly with import manufacturers for parts. What they can't source overseas can usually be sourced domestically since they stick to simple repairs and don't have to worry about deep coverage.

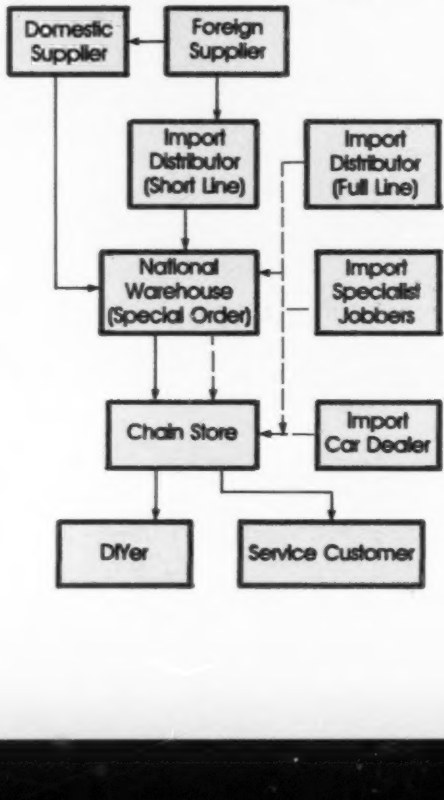
The retail and repair channels will probably be changed the least by the import revolution. The major battle will be in the channels that deal with the whole car: the WD/jobber, the OE/dealer, and the specialist jobber and repair shop.

The OE/Dealer Market

The import OE vehicle makers dominate the import aftermarket to a much greater extent than the domestic OEs dominate the domestic vehicle aftermarket. A study by Industrial Market Research, Clarendon Hills, IL, found that 23.6% of the incidences of purchases for import parts and accessories (of some 68,000 purchases) took place at import dealers, while only 11.8% of purchases for domestic cars (of some 256,000) took place at dealerships.

CHAIN STORE CHANNEL

The auto chains stock limited lines of fast moving parts for the leading imports. Thus, their sourcing is relatively simple. However, more chains are doing special order programs through full line distributors. In addition, chains with service often rely on car dealers and import specialist jobbers for service parts.


Domestic Supplier
Foreign Supplier
Import Distributor (Short Line)
Import Distributor (Full Line)
National Warehouse (Special Order)
Import Specialist Jobbers
Chain Store
Import Car Dealer
DIYer
Service Customer

Easton Consultant's Allessio said, "It means that import dealers are doing something right. The choice of where to purchase is really a systems' choice. After all, the owners can find parts in other outlets. We concluded that if people are happy with the car, they're willing to go to the dealer."

Allessio noted that the Japanese Big Three—Toyota, Nissan and Honda—all have a high share of the aftermarket. Some notable European OEs, on the other hand, have much less, because there is a strong independent repair shop market for European cars.

Although it's hard to get an exact fix, and estimates vary greatly, it seems certain that dealers sell more than 40% of the parts for imports. However, not all of these are installed at dealerships. Unlike domestic dealers, import dealers usually have good wholesale sales to local repair shops and service stations. In addition, a study by the Allied Aftermarket Div. found that 7-9% of DIY import owners patronized import dealerships for basic parts like oil filters, brake shoes, and spark plugs.

Japanese OE makers keep a tight rein on their suppliers. St. John noted that each Japanese OE has a closely held tier of 10-20 suppliers. "The Japanese OEs carry a big stick. They have equity in their suppliers, some are majority owned, they have contracts that say they're not permitted to sell to the aftermarket. But some can sell parts for other models."

The recent devaluation of the dollar versus the yen was supposed to help American exporters. Instead, it seems to have helped the OE/dealer market in the U.S. Because prices for overseas-sourced parts have risen, an importer like GKN that sources about 60% of its parts in Japan, finds that dealers are able to sell as much as 20-30% cheaper on some lines.

"Our costs have doubled since 1986." St. John said. "It's gone from 260 yen to the dollar to about 130 yen to the dollar. We've raised our prices 50-60%. But Japanese car dealers have only raised prices 20-30%. They're taking a much tighter margin. In some cases they must be selling at cost or below."

Mort Schwartz, president of Lazorlite Parts, said, "It's part of an overall strategy by Japanese OEs. The Japanese OEs have always been very aggressive to retain parts and service. They've been aggressive in promotions, it's good strategy. Their parts pricing is right up there. They're willing to take a low margin."

Interestingly, a survey by *Auto Week* magazine found that identical parts made for either an import or an identical import sold under a domestic OE nameplate (such as the Dodge Colt/Mitsubishi Mirage) also had the same 20-30% price gap in favor of the import dealer. It seems as if the Japanese OE makers are holding down prices. In fact, several import distributors claim the OEs are dumping parts on the American market to drive away competition.

And so we have the strange situation (for those familiar with the domestic market anyway) where it costs an installer or DIYer more to buy from a jobber store than at the dealership. Will this continue? No one knows. One result of the devaluation may be that WDs will source fewer parts overseas and source more through domestic suppliers. However, many of the domestic suppliers also source parts from overseas to fill out lines. A 1986 study by Easton Consultants found 52% of all parts for imports sold by domestic manufacturers were outsourced.

It would seem that it would be a good time for Japanese OEs to roll out programs for part sales such as GM's AC-Delco or Ford's Motorcraft, but there seems little chance of this. Several attempts by Toyota and Nissan have been less than successful.

Sheer Numbers

One reason is that OEs do not want to compete with their dealers. They'd rather sell parts through the dealer. More importantly, however, dealerships will have to work harder simply to keep up with warranty work and normal parts and service as the number of imports on the road increases. Both Toyota and Nissan have about 1,100 dealers, while Honda, Subaru, and Mazda all have about 900.

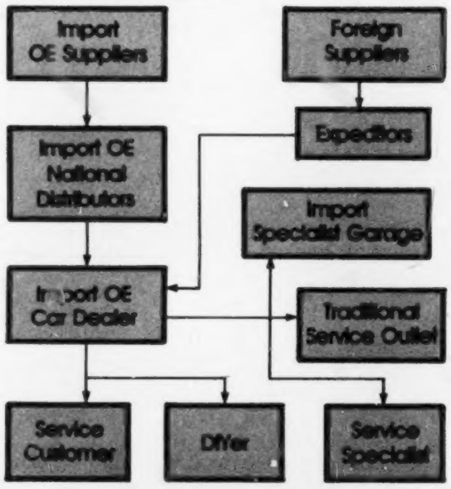
Just the sheer number of import cars on the road will mean dealers will lose customers. "They're going to be very hard-pressed just to maintain their market share," Schwartz said. "There're only so many dealers and so many bays. There'll be some additional capacity, but sheer registration numbers will dictate more business for the independent aftermarket."

The number of import vehicles in the three-year and older category is growing rapidly. There are more than five million Toyotas and four million Nissan/Datsuns on the road over three years old. While these numbers are small compared with the number of Fords and Chevrolets, the imports are growing at a higher rate. Roughly a third of the imports are still under three years old. For example, Honda, which has become the number one import car in new car sales (although Toyota and Nissan still outsell it in total vehicles), sells about the same number of cars as Mercury and more cars than any individual Chrysler make. And the Korean Hyundai has sold 600,000 cars in less than three years and is the best selling car in California.

One channel that will profit from this growth is the import specialist. The number of import specialist jobbers is very low. Allessio said, "A very optimistic count might be 2,000. It may be much closer to 1,000." The future of the import jobber has been a topic of heated conversations for the past five years of so. One key reason has been the availablity of import parts from many traditional jobbers. Thus, repair shops that had to buy from import jobbers now can turn to local WDs in many localities.

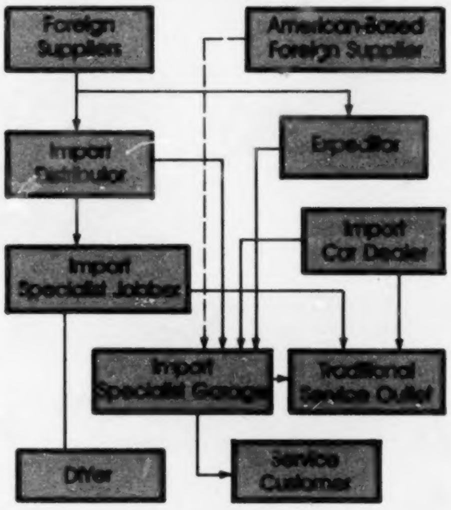
IMPORT CAR DEALER CHANNEL

The import car dealer offers the longest lines of any of the channels because he is serviced by the OE network. Thus, the dealer is able to, and encouraged to, sell wholesale to traditional outlets besides selling directly to DIYers. However, some dealerships buy fast moving parts through expeditors for economy, especially with European makes.



THE IMPORT SPECIALIST CHANNEL

At all levels, the import specialist usually lines up closely with an import distributor or an American-based foreign supplier such as Bosch or Lucas. But there is considerable level cutting as some jobbers buy many parts numbers directly from manufacturers or distributors. In addition, car dealers sell to import specialist garages.



"I think there's still a niche there," St. John said of the import jobber. "for a group of strong specialist jobbers, but not neccesarily 100% import. We've lost many specialists. When you're running a business based on being the only source in town you can get pretty arrogant. Now there're many sources. The specialists that remain are good business people. They know their inventory, they know their market, and they sell at a fair price. We see a different kind of specialist. An in-between, mini-specialist that doesn't need an enormous inventory. We call our program the Five-Star jobber. We see 2-3,000 jobbers taking a program like this."

While the import jobber is struggling, the import specialist repair shop is booming. Best estimates put that population at about 10,000, but the import distributers see the number growing to as many as 40,000 shops by the 1990s.

In talking about the specialist repair shop, you have to differentiate between what kind of import the repair shop services. Roughly half specialize in European makes. Most of these date from the 1960s and will not change. The market for European parts is well established, the Japanese specialists will grow.

The Japanese Dominate

The reason is simple: Japanese makes dominate the import market while the sales of European makes are declining. In recent years the and Korean Hyundai (sales over 300,000) Japanese Acura (yearly sales over 100,000) have been added to the import top ten sellers list while Audi and BMW have fallen off. Roughly 80% of imports are manufactured in Asia (including Korea), according to the DOC. The DOC forecasts a decline in European car sales from about 600,000 in 1987 to about 450,000 in 1991. However, the majority of the European cars are luxury models which get little or no DIY work. So the European import specialist repair shop should remain a viable market for established channels.

But on the Japanese side, the growing number of Asian cars means more repair work. Although a certain amount of repair will be done by DIYers, the repair shop that does import work represents the key growth area in import part sales. The question is, who will supply this growing market?

There should be an excellent opportunity for the import distributor to sell the growing number of import specialist repair shops. However, the import distributor labors under some stiff competition. First, from manufacturers. Bosch, for example, has a full training and service program for repair shops featuring Bosch parts. Although Bosch is known mainly for European coverage, it does carry a full parts line for Japanese cars. And, sourcing directly from manufacturers is one way for a repair shop to raise its margins as competition for import work increases. No doubt, more manufacturers will make buying direct easier.

Then there is the continued competition from the Japanese dealer network. Right now, repair shops can buy cheaper through dealers than through import distributors.

Chet Staron, president of Topline, Chicago, a domestic manufacturer of engine parts, said there is a concerted effort by the Japanese to eliminate the import distributor. "The bottom line is, the Japanese did a great job of getting 30 million vehicles over here. They have their aftermarket shored up. Now they want to blow off the importer because they no longer need him."

Staron's claims that you "can't trust Japanese OE part numbers. If you do, you'll get a lot of dead inventory. The Japanese say you can't consolidate part numbers. That's nonsense." Staron said following OE part numbering systems has resulted in $125 million in obsolete parts in WD/jobber inventories.

Staron claims the import distributors have dozens of "dead puppies" in their lines. "Junk." Staron said the U.S. distribution system has five times the inventory stocked in Japan. He added Topline can cover some 18,000 OE part numbers ("Acura to Yugo") with about 7,000 SKUs. He claims it's a delibrate attempt by Japanese OEs to confuse U.S. competitors and dissipate capital. As proof, he cites the fact that Topline is an *exporter* of parts for imports to Asian countries (but not Japan).

His advice to retailers is to "get in bed with the manufacturer. Buy direct wherever possible. If you buy a warehouse program, make sure his source is the manufacturer, not a repackager. You can't afford another step in distribution."

For suppliers Staron said, "Source in Taiwan, Korea, Malaysia, and other Third World countries. Whoever can get out of proliferation and into rationalization (shortening lines) is going to do well."

Staron pointed to NAPA, Atlanta, which provides all parts for imports through its domestic vendors, as the way to go. "But you've got to learn how to do it. You've got to take chances."

In addition to increased competition, the import distributors are taking losses. As St. John said, "The traditional system was designed to handle three makes of cars. Now there're 32 import makes with 600 models. The base has increased in range and variety. That by itself is enough to cope with. But at the same time, the chain stores have bled off the fast movers, the dealer body is improving, and you have the new wave installers buying direct. The traditional channel has been belted hard. That's our biggest problem now: the traditional channel is in such confusion."

The Traditional Market

Still, the WD/jobber continues to increase its sales of parts for imports through traditional outlets such as service stations and non-specialist repair shops. However, a 1987 Motor Equipment Manufacturers Association (MEMA) study of the jobber market notes that "even in areas of the country where foreign vehicles are most densely registered, jobbers have not been able to gain as large a share of the import market as they have of the domestic vehicle segment."

The MEMA study found that parts with import vehicle applications comprise 14% of typical jobber sales (compared with about a 22% import vehicle population). About one jobber in five has more than 20% of sales in import vehicle applications.

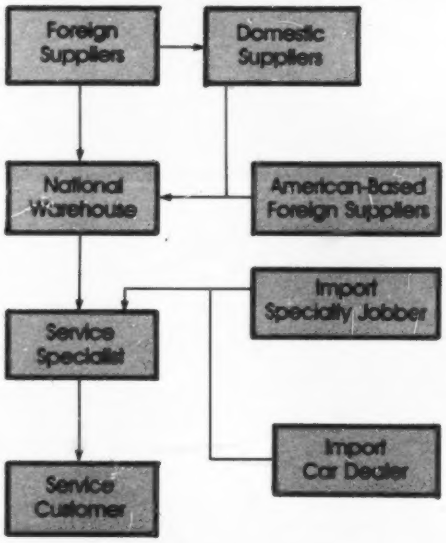
The MEMA study says jobbers are not "effective" in selling the three major service outlets for imported vehicles: car dealers, specialty repair shops, and import specialists. In addition, the study also shows that jobbers that sell over 20% import applications rely on import brands which provide over half the sales volume.

St. John thinks that overall jobbers are simply still not comfortable with parts for imports. "The problem is domestic jobbers don't have a clue about how to sell imports. They don't know the idiosyncracies of imports. So much of what the counterman knows is in his head. And there're so many variations in import sales. In order to get the business, you have to have the product and know how to sell it. It takes time."

The question might be: does the aftermarket have the time? The DOC forecasts an import vehicle market share of more than 40% by 1991. In addition to the Japanese, Koreans, and Europeans, cars made in Malaysia, Brazil, and Mexico are appearing on American roads. By the mid-1990s, imports will make up close to a third of the cars on the road. While sourcing an import program may be a confusing mess today, it's a mess the aftermarket will have to live with. ■

SERVICE SPECIALISTS CHANNEL

Service specialists, since they stick to only a few categories of repairs, have the simplest sourcing: manufacturer to national warehouse. But since the individual outlet does service odd cars, import jobbers and car dealers get many quick sales from these service specialists.



IMPORT VEHICLES ON THE ROAD

Here are estimates of the import fleet (cars and light trucks) as of Summer 19[illegible]8. Imports account for about 22% of the vehicles on the road. Roughly one third of the imports on the road are under three years old, which means that the aftermarket for these vehicles will continue to grow rapidly. Stocking lines for just three makes—Toyota, Nissan, and Honda—covers almost half the import market.

Make	Vehicles More Than 3-Yrs-Old (Million)	Vehicles Less Than 3-Yrs-Old (Million)	Total Vehicles (Million)
Toyota	5.1	2.4	7.5
Nissan	4.4	1.7	6.1
Honda	2.3	1.5	3.8
Volkswagon	2.4	0.5	2.9
Mazda	1.2	0.9	2.1
Suburu	0.9	0.5	1.4
Volvo	0.8	0.3	1.1
Hyundai	X	0.6	0.6
Total	**23.7**	**11.2**	**34.9**

Source: Automotive Marketing estimates